DOCUMENT RESUME

ED 344 018 CE 060 753

AUTHOR	Helgemo, Robert R.
TITLE	Designing the Horizons of Your Small Business.
INSTITUTION	Chippewa Valley Technical Coll., Eau Claire, WI.
SPONS AGENCY	Wisconsin State Board of Vocational, Technical, and Adult Education, Madison.
PUB DATE	Oct 91
NOTE	225p.
PUB TYPE	Guides - Classroom Use - Instructional Materials (For Learner) (051)
EDRS PRICE	MF01/PC09 Plus Postage.
DESCRIPTORS	*Business Administration Education; Business Skills; Counseling Services; *Entrepreneurship; Expenditures; Feasibility Studies; Income; *Instructional Materials; *Money Management; *Planning; Postsecondary Education; Seminars; *Small Businesses
IDENTIFIERS	Business Finance; Cash Flow

ABSTRACT

This manual outlines the planning process for developing a feasibility study for a small business. The material is composed of three parts: the planning documents filled out for an imaginary campground; a business plan summarized from the planning documents; and blank planning documents with introductions and instructions. The documents can be used in four basic learning configurations: (1) short class (36 hours); (2) extended class (120 hours); (3) seminar presentations (3-6 hours); and (4) counseling sessions. After an introductory message to instructors, some teaching tips, an explanation of planning document use configurations, and a brief introduction, teaching materials are organized into five sections: (1) business plan for Crystal Deer Campground--Werizt, Wisconsin; (2) Proforma Revenue, Expense, and Cash Flow; (3) completed planning documents for a business plan; (4) Proforma Plan for Revenue, Expense, and Cash Flow; and (5) blank planning documents for a business. (NLA)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

01-014-150-211
WI 91 CD01

ED344018

Designing the Horizons of Your Small Business

by
Robert R. Helgemo
Business and Entrepreneur Center
Chippewa Valley Technical College
620 West Clairemont Avenue
Eau Claire, WI 54701

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Harmatuck

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

CE060753

October 1991

BEST COPY AVAILABLE

Table of Contents

Introductory - Message to Instructor i
Teaching Tips iv
Planning Document Use Configurations vi
Introduction 1
Business Plan 3
  Description of the Business 4
  Marketing Plan 5
  Operations Plan 7
  Organization Plan 8
  Financial Plan 9
Proforma Revenue, Expense, and Cash Flow 23
  Sources and Uses of Financing 24
  Sales Forecast 26
  Sales Forecasts--First Year by Month 27
  Cost of Goods Sold 28
  Cost of Goods Sold--First Year by Month 29
  Operating Expenses--Labor-Related 30
  Operating Expenses--Labor-Related--First Year by Month 31
  Operating Expenses--Nonlabor 32
  Operating Expenses--Nonlabor--First Year by Month 33
  Project Income Statement--Year 1 (by Months) 34
  Projected Income Statement--Year 1 (by Months) 35
  Projected Income Statement--Years 2 and 3 (by Quarters) 36
  Projected Income Statement--Years 2 and 3 (by Quarters) 37
  Projected Cash Flow--Year 1 (by Months) 38
  Projected Cash Flow--Year 1 (by Months) 39
  Projected Cash Flow--Years 2 and 3 (by Quarters) 40
  Cash Flow Projections--Years 2 and 3 (by Quarters) 41
Completed Planning Documents for a Business Plan 42
Introduction - Description of Business 43
  Description of the Business 44
Introduction - Marketing Plan 46
  Marketing Plan 47
Introduction - Operations Plan 61
  Operations Plan 63
Introduction - Organization Plan 73
  Organization Plan 74
Introduction - Financial Plan 85

Financial Plan 86
Introduction - Proforma Plan for Revenue, Expense, and Cash Flow 99
Sources and Uses of Financing 100
Sales Forecast 102
Sales Forecasts--First Year by Month 103
Cost of Goods Sold 104
Cost of Goods Sold--First Year by Month 105
Operating Expenses--Labor-Related 106
Operating Expenses--Labor-Related--First Year by Month 107
Operating Expenses--Nonlabor 108
Operating Expenses--Nonlabor--First Year by Month 109
Projected Income Statement--Year 1 (by Months) 110
Projected Income Statement--Year 1 (by Months) 111
Projected Income Statement--Year 2 and 3 (by Quarters) 112
Projected Income Statement--Years 2 and 3 (by Quarters) 113
Projected Cash Flow--Year 1 (by Months) 114
Projected Cash Flow--Year 1 (by Months) 115
Projected Cash Flow--Years 2 and 3 (by Quarters) 116
Cash Flow Projections--Years 2 and 3 (by Quarters) 117
Blank Planning Documents for a Business 118
Description of the Business 119
Marketing Plan 121
Operations Plan 135
Organization Plan 145
Financial Plan 156
Personal Balance Sheet 169
Personal Balance Sheet for 170
Sources and Uses of Financing 171
Sales Forecast 173
Sales Forecasts--First Year by Month 174
Cost of Goods Sold 175
Cost of Goods Sold--First Year by Month 176
Operating Expenses--Labor-Related 177
Operating Expenses--Labor-Related--First Year by Month 178
Operating Expenses--Nonlabor 179
Operating Expenses--Nonlabor--First Year by Month 180
Projected Income Statement--Year 1 (by Months) 181
Projected Income Statement--Year 1 (by Months) 182
Project Income Statement--Years 2 and 3 (by Quarters) 183
Projected Income Statement--Years 2 and 3 (by Quarters) 184

Projected Cash Flow--Year 1 (by Months) 185
Projected Cash Flow--Year 1 (by Months) 186
Projected Cash Flow--Years 2 and 3 (by Quarters) 187
Cash Flow Projections--Years 2 and 3 (by Quarters) 188

Introductory - Message to Instructor

The material enclosed is a complete breakdown of the planning and plan process for developing a feasibility study for a small business. I have tried to foresee and answer all the problems you may have in assisting a person through this process. This foresight is the result of the accumulation of knowledge and experience gained over the past 23 years assisting small businesses and running my own businesses. One thing I learned over those years is that it is impossible to anticipate all the needs of the entrepreneur. This is where you come in.

I hope you have a solid business background either from post-high school training or good solid experience running a small business. It would be preferable if you had both, as you have taken on one of the most difficult but rewarding jobs in education and consulting. You must know about marketing, market research, accounting, finance, customer service, site location, etc. and etc. and etc. Don't be discouraged. Nobody I know is strong in every area, and all of us learn almost on a daily basis, especially in our first few years. If this is the first time you have taught this subject area, you will be learning more than your students for a while.

After your apprentice time if you have excellent retention, you may get to the point where the students are learning more than you. Do not be upset because you have to admit you don't know something. Trust me--we have all had that experience and, if truthful, will readily admit that it still happens on a regular basis. You will never know all the answers in this game because not only do the questions change, but every few years the board you are playing the game on changes. The only constant I can think of is the wonderful, excited, dynamic, hard-working, demanding people you are about to meet; however, when it gets tough, it will serve you well to remember that you will be able to point to successful businesses around town and say "That's one of mine!"

A few cautions though before you start. These people are coming with some very specific targets and motivations making them excellent, highly motivated people, but they normally have little education beyond high school and rarely have much business or writing/research background. They are easily

intimidated by huge quantities of paperwork and reading material. As a result, I strongly encourage you to work out a system with your organization whereby the student can be given this planning system in parts. Do not, repeat, do not give it to them all at once or they will be overwhelmed and convince themselves that this process is "not really necessary." It is all necessary and if carefully done will, with near certainty, lead to a successful business. (The system eliminates or modifies those that would otherwise fail.) In the two years that I have used this system, we have not had a person fail who has gone through all the steps in this process. They do one of three things:

1. Go with the business as planned and succeed.

2. Modify their business idea to make it successful.

3. Drop the idea because it is not feasible or viable or both.

The most important job you have is to get your people through the entire process so they can fit themselves correctly into one of those three categories. Remember, it is not your job just to help them get into a business. It is your job to help get them into a business that will succeed and out of any business that will fail - either result should be counted as a success on your part. With that out of the way, let's take a look at the material enclosed.

This material is composed of three parts:

1. Section A - Completed Planning Document.
   The planning documents filled out for an imaginary campground.

2. Section B - Business Plan.
   A business plan summarized from the planning documents.

3. Section C - Blank Planning Documents.
   The planning documents with introductions and instructions.

Each part of the planning documents, when done in order, stands alone. They

should be done in order because the information gathered in each part tends to extend into the next part of the plan and is essential for the accurate completion of those succeeding parts; i.e., you must have a description of the business in order to develop a marketing plan. This caution is somewhat qualified in that they will go back and forth between parts of the plan to make modifications and to complete parts of the plan they cannot get immediately. Also, you want to keep them all moving along in the process so that they can see progress and be rewarded by that progress. In other words, encourage them to complete as much of each part as possible but be careful not to stop their total process until they have a given part completed. That will lead to too much frustration of purpose and a student with a strong possibility for dropping out.

With this overview out of the way, let's take a look at some specific teaching tips and some of the specific class configurations in which you can use the material.

Teaching Tips

Distribute each section of the planning document blanks and the corresponding section of those blanks filled out for the imaginary business. This way you and they have an idea how the blanks should be filled in and used. You will probably not want to distribute the corresponding section of the completed plan until they are ready to write that from their planning documents; however, it is probably a toss up as to whether or not you hand out all three parts of each section at the same time. More importantly, this is the time to encourage them (order if you prefer) to obtain a large (at least one inch) three-ring notebook for their documents and research materials. If they try to keep their material in folders, they will not only lose things, but their material and research will become a bunch of disorganized "stuff." I also encourage my students to buy dividers with pockets for their notebook so they can keep everything in a specific location - marketing research with the Marketing Plan, operations material with the Operations Plan, etc.

When you distribute the planning documents for each section of the business plan, introduce the section and then take the students through it part by part explaining the importance of each of the headings in the plan section and show them how each type of business in the class will utilize the information in that heading. Keep in mind at this point that the planning documents are written generically so that they can be used for almost any business; however, some businesses will not use every heading in each section of the planning documents; e.g., a retailer has no need for information on manufacturing equipment or raw material inventory and a service business will have no cost of goods sold. A further caution is that some of the businesses will do extensive work in one section of the planning documents and very little in others. A one-person service business, for example, should have extensive work to do in the Marketing Plan, Operations Plan, Financial Plan, and Revenue Expense and Cash Flow Plan, but very little work to do in the Organization Plan. The emphasis each business will apply to each section of the plan will vary from business to business; however, all parts of the total plan must be considered for each business, and <u>you must not allow them to downgrade the importance of any part of the plan without good, sound reasons - according to your best judgement, not theirs</u>. They will try to fudge and rationalize why they can gloss over a part or not do it at all, and it is not because they are

lazy or unmotivated. It is just the opposite. They are oriented to "doing" and "producing," and they "know" that what they have planned (think they have planned) will succeed. They want to get on with it, and it is your job, perhaps the toughest part, to make sure that they do not go off half cocked; i.e., half planned. The better and more thorough their plan, the greater their chance of success.

Upon completion of each section of the business plan, the student should write a brief summary of that section of their plan. After they have completed a summary of each section of their plan, they can simply put them together in a package with the Revenue, Expense, and Cash Flow section of the plan documents, and they will have a good solid business plan. Summaries should be one page or less. Each should just highlight the detail in the planning documents and briefly state the conclusions drawn from the information gathered. They should not rewrite the detail contained in the planning documents. If anyone needs or wants more detail, they can reference the planning documents.

If the student wishes to summarize after the entire plan is completed, that's okay but they are best off to summarize immediately, if possible, because this is the time they are most familiar with the material and it is the freshest in their mind.

An alternative to summarizing is to use the plan documents as a business plan. I have had people do this successfully but I don't recommend it as it gives too much information to the person reviewing the plan. It tends to come across to the reader as an overwhelming barrage of detail and can lead to pointed questions on procedure, process, people, and results. It is much better to use the documents as back-up to the plan and reference the documents when asked about details of the plan. It makes for a cleaner, more professional presentation of their plan and makes the whole package easier to sell to the banker or investor.

Planning Document Use Configurations

At Chippewa Valley Technical College we have used the documents in four basic class or learning configurations; short class (36 hours), extended class (120 hours), seminar presentations (3 to 6 hours), and counseling sessions. I am sure there are more usages than this but from our experience, these four configurations will probably encompass over 90 percent of your usage of the materials.

Short Class

We do this class in 12 sessions of three hours each. The students do not have enough time to complete their plans in this configuration. Your job is to teach them how to find the information they need and to orient them to the resources available to assist them in this process.

Sessions 1-4 are composed of a look at small business, a personal look at themselves and how they would personally fit as a business owner, and a brief look at the feasibility and viability of their business idea.

To do this we use small business owners to describe what it is like to start and own your own business and discuss the characteristic they feel have led to their success. We also use generic testing such as Meyers-Briggs and various entrepreneurship tests to let them see if they fit with the lifestyle and skill requirements demanded by small business ownership.

To evaluate the viability and feasibility of their idea, we rough out a business description, their skills needed for that business, a "ball park" guess of what it will cost to set up their business, and what revenues and profits it should be able to produce.

Sessions 5-6 are spent with the formal Business Description and Marketing Plan. The majority of time is spent on the Marketing Plan section because the Description of the Business is either done or nearly done by the end of the third session. In the marketing plan we go through each section of the planning documents discussing who their customers are, how they will find them, and so on. We usually have marketing/sales people come in cost-free to

discuss various aspects of marketing and sales. The last thing we do is review their marketing budget.

Session 7 is spent in the Operations Plan where we discuss the forms of ownership, the basic accounts needed for their books, how the records will be managed, and a checklist of the governmental agencies they will interact with. This section of material will sometimes flow over into Session 8, as it is difficult to complete it in one session. You may want to bring in an attorney or accountant to cover parts of the Operations Plan.

Session 8 is spent in the Organization Plan. This is where they decide what their staffing will be and what kind of people they need for their business. This section frequently takes less than a full session. You may want to bring in an employee leasing representative to explain the advantages of contract employees and temporary rental employees.

Sessions 9-10 is for the Financial Plan. This is where we get a good look at what it will cost to open the doors of their business. Your job is to assist them to make these estimates and find the data necessary to make sure there are no financial surprises such as "Oops, I forgot to include money for _____" after they have already opened the doors of the business. This section is a critical checklist, and if not done as accurately as possible, will lead to almost certain failure. Almost without exception this is the area where small businesses say, "Boy, if I had had access to that, I could have saved myself a lot of grief."

Sessions 11 and 12 are where your people are oriented to the Revenue Expense and Cash Flow aspects of their specific business. This is the section that, along with the Financial Plan, tells them how much money they will need to start and keep their business going and whether or not it is a truly feasible and viable business for them. There is no other section of the plan document where the "rubber meets the road" quite like this section. Emphasize strongly that this is the end game for their business. If they can't produce cash to pay the bills, it makes no difference that their business is profitable. They must have cash! Conversely I have businesses that come up with good cash flow, but do not make a profit. Either way they are guaranteed to fail. It may take a little less time with one alternative than the other, but the ultimate result is the same.

In these sessions you may want to bring in an accountant or small business owner to discuss the importance of this material and help them with the numbers.

Extended Class

In order to describe how we use the materials in the extended class, it will be necessary to back track a moment and show you how we set up the class. We do not advertise or promote this class except in the short class previously described.

In the short class, we try to evaluate the status of the individual students in terms of their readiness to start a business and their business ideas in terms of its viability and feasibility. If the student states that he/she is ready to start a business and wants to get it up and running in the year, he/she meets the personal readiness criteria. We then look at viability to see if the business they propose has a good chance of surviving and making a profit. If they pass this test, we look at feasibility. Here we attempt to evaluate the student's ability to do what they want to do. Specifically, we want to know:

1. Do you have the necessary technical skills required?

2. Do you have the money or investment capital needed to start the business?

3. Do you have access to the additional capital needed to start your business?

If the answer to the questions come up positive, that is, they are ready, have a good business idea, and have a plan that is feasible, we will allow them to register for the extended course.

The objective of the extended course is to develop a complete business plan, along with staffing, recordkeeping procedures, a marketing plan, a site selected--in short, they should be ready to open the doors when they complete the class. This takes a lot of effort on the part of the student and the instructor, but when the class is completed, 80 percent will have started a business during the class or in the six months following the class.

Sessions 1-4 - Same as the short class.

Sessions 5-9 - Work on the Marketing Plan.

Session 10 and 11 - Work on the Operations Plan.

Sessions 12 and 13 - Work on the Organization Plan.

Sessions 14-18 - Work on the Financial Plan.

Sessions 19-23 - Work on the Expense, Revenue, and Cash Flow plan.

Sessions 24-26 - Generic time for each to complete their overall plan and put it all together.

As we go through the material, we work directly on the research and development of the Business Plan. We bring in experts to help, we work in the library, and we work in the classroom. From Session 5 on we spend about half of our time in lab working directly on our plan. The other half is spent in teaching the plan and handling problems students have encountered. We tell our students point blank they must spend time setting up their business. This class is an organized effort to discipline and direct that time toward specific and ordered objectives they must meet to have a successful business.

Seminar Presentations

Here we simply take one section of the business plan documents and walk students through the research and information demands that must be met to complete that section of the plan. The students are usually people already in business who see a need for greater efficiency or better direction in that one area of their business; i.e., marketing is not as good as it should be.

Counseling Sessions

Here we do the same as in the seminar except we do it one on one. Each section will take 1-2 hours, and you must be careful to obtain a solid business description to start any work with the students. These will rarely be one-time contacts. You can, at the least, expect several phone calls with further questions, if not a number of visits for support if nothing else.

Introduction

In the years I have worked with micro-businesses, the one common factor leading to disaster was failure to plan - failure to plan marketing strategies, failure to plan revenue flows, failure to plan cash flow. A business without a plan for getting into business, without a plan for doing business, is a business adrift. A business adrift not on a calm and friendly sea but in a maelstrom of events striking from all directions - economic, social, political, market, and financial; and these events, like a storm, can strike simultaneously devastating the business in a single catastrophic event or the events can occur in a cacophony of ever-withering blows that devastate the organization by wearing down the economic strength of the business and the emotional and physical strength of the owner beyond the point of collapse. Either way, the net result is a business that ceases to exist, an owner who has lost most, if not all, of his or her life savings, and a group of dedicated employees who no longer have a means of economic support.

A business plan cannot guarantee that you will be successful anymore than a good captain can guarantee a safe sea voyage. But like a good captain, a plan can tell you whether or not it is reasonably safe to leave port, whether you should go one direction or another and whether or not the ship is sound. It will also give warning of when to batten down the hatches, pull in the sails, or, in the worst case, to ready the life boats and abandon ship.

A good business plan can keep you out of a business guaranteed to fail, can greatly enhance your chances of success, and normally will enhance the potential profit of a successful business. But the question comes to mind, "If a plan is such a good thing and no plan is such a risky thing, why doesn't everyone have a plan?" The answer is simple. Making a plan is hard work, it is not immediately productive, and there is little organized material to assist people in the planning process. To put it in plain English, you don't know where to go for information, how to organize that information, and how to present your information in its final form--a plan. This material is written with the specific objective of helping you to find, organize, and present or write your plan with the least amount of grief and the most amount of solid content you can give it.

To help you do this, we have broken down the plan into six parts: The description of your business, the Marketing Plan, the Operations Plan, the Organization Plan, the Financial Plan, and the Pro-Forms Financial. These, in turn, are broken down into parts and pieces understandable by the average lay person. This system is written for lay people and yet is useful even to an experienced small business planner. Please note that I am not saying this will be easy--no good business plan is easy. I am saying that we are going to take as much of the mystic and complexity out of the planning process as we can.

In conclusion, we have designed this system to the best of our ability to help you set up a successful small business. Don't put your dream off any longer. Go to work and make your business a reality.

Bob Helgemo
Business and Entrepreneur Center
Chippewa Valley Technical College
Eau Claire, WI 54701

Business Plan for:

Crystal Deer Campground
Werizt, Wisconsin 54321

By: Robert R. Helgemo

September 1991

Description of the Business

We would like to buy a campground on Water Lily Lake. We will rent space to tenters, pop-ups, and motor homes and will have a camp store and entertainment center with video games. We should be successful because we are on a small, clean lake in a growing tourist area which has a shortage of campsites available for most of the summer. Growth opportunities are good because camping is growing at 5 to 7 percent a year in the state, we have a solid tourist base, and we will be getting a dog track and water park in the area the beginning of this summer.

The campground will be called Crystal Deer Campground after a favorite piece of art work my wife and I own.

Marketing Plan

Crystal Deer Campground will target middle- to upper-middle-income people who own motor homes, camping trailers, pop-up trailers, and tents. We will be strongly oriented toward family groups camping alone as opposed to clubs or organizations. Our primary emphasis will be directed toward people with camping units as opposed to tent campers. We will, as a part of our total package, rent out boats and canoes and have a game room and camp store.

In the future (four to five years) we will expand the camp store into a year-around convenience store with gas pumps and more diversified products available. This operation will target not only our customers with expanded service but will also target the regular residents of our area in a 15-mile radius of the store. There are 873 (1990 census) people living year around in a 15-mile radius of the store.

Long-range plans also call for a camper sales and service center in five to ten years.

We will attract our customers with mailings to our previous campers, distribution of our brochure at tourist centers and booths at the various regional camp shows, and the state camp show in Milwaukee.

We will hold our customers by emphasizing a family atmosphere that is clean, safe, and reasonably priced. Our entire operation will be centered not on finding new people - though that is important - but instead on holding the customers we have and expanding with new customers. Growth in new customers is assured because camping is growing at 5 to 7 percent in Wisconsin and because this year they will be opening a water park and dog track within ten miles of our site. We anticipate significant new traffic in the area because of these new developments.

A further and final plus for our business is that we are the No. 1 "full activity" campground in the area. We have swimming, fishing, and boating at our site and hiking, biking, and exploring trails throughout the surrounding area.

In summary, we are looking forward to an exciting and growing future at Crystal Deer Campground and hope we will be equal to the marketing challenge and excitement ahead.

Operations Plan

The Crystal Deer will be established as a sole proprietorship. We do not need the assistance of a partner and see no need at this time for a corporate form. Our attorney John A. Suim concurs with this decision.

We have consulted with our accountant Joseph T. Akrual and have established our recordkeeping system. We will use a one-write system with approximately 55 accounts. Our taxes will be done by Mr. Akrual, a CPA. Day-to-day recordkeeping will be done by my wife and I. We are both trained in accounting and have done business records in the past.

We have checked out zoning, licensing, and environmental details and find we are in complete compliance with all regulatory agencies that oversee our business activities. We have also had the sewer and water systems checked and both are in good working order with room for expansion. All licenses needed to operate as planned are in effect under the current owner and can be transferred to us on request with the payment of a small fee.

Organization Plan

The business will be managed by my wife and me. We will hire three employees:

1. Store Manager - $600 per month from May through September.

2. Maintenance Custodian - $500 per month from April through October.

3. General Helper - $4 per hour to be hired part-time as needed.

Total payroll cost including my salary will vary from $905 per month in the winter to $2,602 in the busiest time of the season. Average payroll on a 12-month basis will be $1,749 per month. For further detail, see the Revenue, Expense, and Cash Flow section of the Plan.

Financial Plan

The cost to open the doors of the business is $23,165 in operating capital. For details on the expenditures, reference the last page of the section for a summary of these costs. For further details, individual break-out sheets are available in the plan.

Financial Plan

A. What will it cost to open the business?

1. Building exterior

a.	Parking	$ -0-
b.	Signage	$ 500-
c.	Lighting	$ 575-
d.	Electrical	$ 150-
e.	Decorating	$ 1000-
f.	Landscaping	$ 350-
g.	Parking	$ -0-
h.	Mower and lawn equipment	$ 450-
i.	Snow equipment	$ 650-
j.	Supplies	$ 100-
k.	Misc. Tools	$ 500-
l.	Garbage Service	$ 150-

Total Cost $ 4,325

2. Building Interior

a.	Rent	$ -0-
b.	Deposit	$ -0-
c.	Remodeling	$ 2,650-
d.	Decorating	$ 250-
e.	Cleaning	$ 100-
f.	Telephone	$ 80-
g.	Electric	$ 75-
h.	Heat and AC	$ 75-
i.	Water and sewer	$ 10-
j.	Security	$ -0-
k.	Supplies	$ 150-
l.		$
m.		$
n.		$

Total Cost $ 3,390

3. Building equipment

a. Display cases	$ 500-	Cleaning + repairing
b. Counters	$ 750-	
c. Cash register	$ 200-	
d. Safe	$ -0-	
e. Coolers	$ 500-	Cleaning + repairing
f. Warmers	$ -0-	
g. Cookers	$ 150-	
h. Dispensers	$ -0-	
i. Window treatments	$ 350-	
j. Vacuum cleaner	$ 75-	
k. Brooms Mops etc.	$ 30-	
l. Supplies	$ 20	
m.	$	

Total Cost $ 2,575-

4. Office equipment

a.	Desks and chairs	$ -0-
b.	Typewriter	$ 25- clean-up.
c.	Calculator	$ -0-
d.	Tables and chairs	$ -0-
e.	Computer and software	$ -0-
f.	Desk equipment	$ 100-
g.	Lighting	$ 150-
h.	Wastebasket	$ 20-
i.	Decorations	$ 250-
j.	Fax and supplies	$ -0-
k.	Copy machine and supplies	$ -0-
l.		$
m.		$

Total Cost $ 545-

5. Office supplies

a.	Letterhead and envelopes	$ 150-
b.	Cards	$ 100-
c.	Postage	$ 20-
d.	Pencils, paper, etc.	$ 30-
e.	Cutting and stapling	$ 15-
f.	General paper	$ -0-
g.		$
h.		$

Total Cost # 315-

6. Merchandise inventory cost

a. Meat	$ 200-
b. Dairy	$ 250-
c. Bread + Rolls	$ 175-
d. Confections	$ 250-
e. Canned Goods	$ 650-
f. Produce	$ 50-
g. Staples + Condiments	$ 100-
h. Soft Drinks	$ 250-
i. Liquor	$ 200-
j. General Camp Supplies	$ 350-
k. Wood	$ 150-
l. Automotive/Kampers	$ 400-
m. Miscellaneous	$ 150-
n.	$
o.	$
p.	$
q.	$
r.	$
s.	$
t.	$
u.	$
v.	$
w.	$
x.	$

Total Cost $ 3,175

7. Parts inventory (service) None

a. _____ $_____

b. _____ $_____

c. _____ $_____

d. _____ $_____

e. _____ $_____

f. _____ $_____

g. _____ $_____

h. _____ $_____

i. _____ $_____

j. _____ $_____

k. _____ $_____

l. _____ $_____

m. _____ $_____

TOTAL COST: $ —0—

8. Equipment and Tools

a.	Trucks	$ 200-
b.	Autos	$ 200-
c.	Trailers	$ 400-
d.	Racks	$ -0-
e.	Ladders and scaffolding	$ 150-
f.	Hand tools	$ 300-
g.	Clean-up equipment	$ 100-
h.	Machine Air compressor	$ 350-
i.	Machine	$ -0-
j.	Machine	$ -0-
k.	Supplies	$ 75-
l.	Installation and set-up costs	$ 25-
m.	Mower + sweeper	$ 2,750-
n.	_____	$ _____

TOTAL COST: $ 4,550-

9. Labor costs* - first month

a.	Production	$ -0-
b.	Marketing	$ 600-
c.	Office	$ -0-
d.	Management	$ -0-
e.	Self	$ 800-
f.	Maintenance/Custodian	$ 500-
g.	Miscellaneous	$ 100-
h.	_____	$ _____

*Includes all fringe costs.

TOTAL FIRST MONTH LABOR: $2,000

10. Insurance costs - first quarter

a.	Fire and ext. coverage 6 mo	$ 870-
b.	Liability 6 mo	$ 1,200-
c.	Auto and truck 6 mo.	$ 700-
d.	Marine (shipping)	$ -0-
e.	Health and accident	$ -0-
f.	Life (including buy-back) 1 yr.	$ 560-
g.	_____	$ _____
h.	_____	$ _____
i.	_____	$ _____

TOTAL COST FIRST QUARTER: $ 3,330

11. Financial costs - first month

a. Principle and interest--first mortgatge $ 525-

b. Principle and interest--other loans $ 225-

c. ~~Property Taxes~~ 1/mo $ 200-

d. _____ $ _____

e. _____ $ _____

TOTAL COST FIRST MONTH: $ 950-

12. Marketing costs - first month including preopening

a. Advertising

1.	Radio	$ 250-
2.	Television	$ -
3.	Newspaper	$ -
4.	Mail	$ 175-
5.	Fliers	$ 200-
6.	Other	$ 100-

Total $ 725-

b. Grand opening

1.	Promo	$ -0-
2.	Personnel	$ -0-
3.	Prizes	$ -0-
4.	Food	$ -0-
5.	Other	$ -0-

Total $ -0-

c. Printed material

1.	Brochures	$ 225-
2.	Instructions	$ -0-
3.	Open/Closed Sign	$ 10-
4.	Other	$ 50-

Total $ 285-

TOTAL MARKETING COSTS: $ 1,010

B. Summary of Cost to Open Business

1.	Building exterior	4,325-
2.	Building interior	3,390-
3.	Building equipment	2,575-
4.	Office equipment	545-
5.	Office supplies	315-
6.	Merchandise inventory	3,175-
7.	Parts inventory	-0-
8.	Equipment and tools (for production)	4,550-
9.	Labor costs	2,000-
10.	Insurance costs	3,330-
11.	Financial costs	950-
12.	Marketing costs	1,010-
13.	Other costs	
Total cost to open		23,165

kf:KH23:BH2

Proforma Revenue, Expense, and Cash Flow

Sales for the first year are estimated at $63,250 with costs and expenses of $63,068 for a net profit of $182 for the year. By Year 3 we project a net profit of $14,937. For further detail, see the Projected Income Statement for Years 1 through 3.

Cash flow is estimated at $68,250 coming in and $63,518 going out in the first year for a net positive cash flow of $4,732. During the year, however, we will be cash short in the months April through July and will need a temporary loan for $5,000 at that time to make up the temporary deficit. It is anticipated that this will be the only deficit in the first three years and that the business will carry itself from that point on. For further detail, if necessary, see the attached Cash Flow Projections for Years 1 through 3.

Sources and Uses of Financing

This section is another critical financial forecast—what will be the sources of your initial financing? The next step—how will you use this financing to buy the assets needed to open your doors for business?

This section will not be used if you already own an existing business.

Step 1:

Fill in the cash amounts to be invested by the various owners.

Step 2:

Fill in the market value of the noncash assets to be invested by the various owners.

Step 3:

Fill in the bank loans to your business—both short-term (one year or less) and long-term.

Step 4:

Fill in the amounts of personal loans which are likely secured by your personal assets (your home, for example).

Step 5:

Fill in any business loans from other sources in the other section.

Step 6:

Fill in the amounts of cash used to buy various assets in the Uses of Financing section.

Step 7:

Fill in the noncash assets contributed by the owners (use the same amounts that you listed in the Sources of Financing section).

Step 8:

Total both sections (Sources and Uses)—they should equal.

Sources of Financing

Investment of cash by Owner No. 1	$ 70,000
Investment of cash by Owner No. 2	-0-
Investment of noncash assets by Owner No. 1	9,000
Investment of noncash assets by Owner No. 2	-0-
Bank loans to business—short-term	12,000
Bank loans—personal Credit Card	1,000
Other (specify) First Mortgage	81,000
Total Sources of Financing	$ 173,000

Uses of Financing

Land	$ 80,000
Buildings	50,000
Equipment	8,000
Remodeling	2,650
Initial Inventory	3,175
Working capital to pay operating expenses	12,000
Noncash assets contributed by owners (use same amount as in Sources)	9,000
Other assets (specify) Clean up and refurbish buildings + land.	8,175
Total Uses of Financing	$ 173,000

Sales Forecast

Forecasting sales of your product and/or services is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Before completing this section, you may want to review the Marketing Plan section of this book.

Step 1:

Fill in the units-sold line for products 1, 2, and 3 for each month. Instead of different products, you may choose to use different departments, customer groups, or other factors. Just cross out the current heading and write in your own title. If you do not use units, skip to Step 3 and fill in total sales.

Step 2:

Fill in the sales price per unit for products 1, 2, and 3.

Step 3:

Calculate the total sales for each of the different products (units sold x sales price per unit).

Step 4:

Calculate the sales (all products) for each month—add down the columns.

Step 5:

Calculate the yearly sales for each product or department—add across the rows.

Step 6:

Total the yearly column. This will be the total sales of all products or departments and will act as a check figure on your all products line. They should be equal.

Note: If you have more than three products, departments, customer groups, etc., just make copies of the Sales Forecast sheet.

Sales Forecasts--
First Year by Month

Site Rentals
~~Product 1~~

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Units Sold													
Sale Price/Unit													
Total Sales	-0-	-0-	-0-	100	800	10,000	11,500	9,800	5,700	500	1,200	-0-	39,600

Camp Store
~~Product 2~~

Units Sold													
Sale Price/Unit													
Total Sales	-0-	-0-	-0-	900	2,000	3,000	3,600	3,000	2,000	1,100	2,000	-0-	17,600

Games Room and Boats
~~Product 3~~

Units Sold													
Sale Price/Units													
Total Sales	-0-	-0-	-0-	-0-	350	1,200	2,000	1,600	900	-0-	-0-	-0-	6,050

TOTAL SALES ALL PRODUCTS	-0-	-0-	-0-	1,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	63,25

27

Cost of Goods Sold

In the previous section you forecasted the sales of each product or service by month. In this section you will compute your cost for the products you will sell. For example, you might sell a product for $50.00 (the retail price), but your cost of this product might be $30.00 (which includes freight).

If your business sells only a service, you will not have cost of goods sold. If so, you do not need to complete this section and can go to the next chapter.

To complete this section you will need to use data from the previous chapter (Sales Forecast).

Step 1:

Fill in the units-sold line for products 1, 2, and 3 for each month.

Step 2:

Fill in your cost per unit for products 1, 2, and 3.

Step 3:

Calculate the total cost for each of the products—units sold x cost per unit.

Step 4:

Calculate the cost of goods sold—all products for each month—add down the columns.

Step 5:

Calculate the yearly sales for each product—add across the rows.

Step 6:

When you add the yearly total column vertically, you will have a check figure to verify against the All Products total added horizontally.

Cost of Goods Sold--
First Year by Month

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly
Rentals — no cost ~~Product 1~~													
Units Sold													-0-
Cost/Unit													
Total Sales													-0-
Camp Store ~~Product 2~~													
Units Sold													
Cost/Unit													
Total Sales	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1000	-0-	8,70
Game Room and Boats — no cost ~~Product 3~~													
Units Sold													-0-
Cost/Units													
Total Sales													-0-
Cost of Goods Sold All Products	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1,000	-0-	8,70

Operating Expenses—Labor-Related

Salary expense is your first major category of operating expenses. In this section you will calculate the total cost of having employees working for your business. The total includes: 1) wages and salaries, 2) payroll taxes required by law, and 3) optional fringe benefits you agree to pay for your employees.

It's likely the number of employees (and hours worked) will vary from month to month, especially if your business has seasonal highs and lows. Don't forget to include the wages of part-time employees.

Step 1:

Fill in a brief title for each employee required in your business. If you have more than five employees, you may want to list employees separately on another sheet of paper and bring their totals by department or area to this sheet.

Step 2:

Fill in the salary or wage to be paid each employee, department, or area for each month.

Step 3:

Calculate the total monthly **salaries**—add down the columns.

Step 4:

Calculate the yearly salaries for each position—add across the rows.

Step 5:

Calculate the three types of **payroll taxes** for each of the 12 months. Now add down the columns and across the rows as in Steps 3 and 4.

Step 6:

Calculate the **optional employee benefits** for each of the 12 months. Now add down the columns and across the rows as in steps 3 and 4.

Step 7:

Calculate the total labor-related operating expense for each month.

Step 8:

When you add the Yearly Total column vertically, it is a check figure for your total Payroll, Taxes, and Fringe added horizontally. They should be equal.

Operating Expenses--Labor-Related
First Year by Month

Salary Per Month Position	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
1. Self	800	800	800	800	800	800	800	800	800	800	800	800	9600
2. Store Manager	-0-	-0-	-0-	200	600	600	600	600	600	450	450	-0-	4100
3. Custodian	-0-	-0-	-0-	500	500	500	500	500	500	500	250	-0-	3,750
4. Misc.	-0-	-0-	-0-	100	400	100	100	100	100	100	100	-0-	1,100
5.													
TOTAL PAYROLL	800	800	800	1,600	2,300	2,000	2,000	2,000	2,000	1,850	1,600	800	18,550
Payroll Taxes													
Employer Portion-Social Security	57	57	57	114	164	143	143	143	143	132	114	57	1,324
Federal and State Unemployment	24	24	24	48	69	60	60	60	60	56	48	24	557
Worker's Compensation Insurance	24	24	24	48	69	60	60	60	60	56	48	24	557
TOTAL PAYROLL AND TAXES	105	105	105	210	302	263	263	263	263	244	210	105	2,438
Optional Employee Benefits — None													
Medical/Dental Insurance													-0-
Other Benefits													-0-
TOTAL WAGE (INCLUDING TAX AND FRINGE	905	905	905	1,810	2,603	2,263	2,263	2,263	2,263	2,094	1810	905	20,98

Operating Expenses--
Nonlabor

Nonlabor expenses include a wide variety of expenses required to operate a business. Many of these expenses are referred to as overhead. The term means that these costs are fixed—they will remain constant regardless of the sales level. For example, your rent might be $500 per month—it stays fixed and does not change as sales go up or down over the months.

On the other hand, some expenses do increase and decrease as sales increase or decrease. These expenses are variable expenses. An example might be your car/delivery expense—as your sales increase, your delivery expense probably would increase.

Step 1:
Review the expenses listed on the facing page, it's likely you can use this list for your business expenses. You may have some expenses which are not listed here—write them in the "other" spaces. A good starting point for a list of expense accounts can be found in Schedule C Profit or Loss from Business in your federal tax forms. Put your accounts in the same order as Schedule C for easier recordkeeping and tax filing.

Step 2:
Fill in your monthly estimate for each category of expense. Remember that some of these expenses will vary throughout the year, especially for businesses with seasonal sales.

Step 3:
Calculate total expenses for each month-add down the columns.

Step 4:
Calculate yearly totals for each expense-add across the rows.

Step 5:
When you add the Yearly Total column vertically, it is a check figure for your Total line added horizontally. They should be equal.

Operating Expenses--Nonlabor—
First Year by Month

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Advertising	-0-	-0-	-0-	300	600	100	100	100	100	-0-	-0-	-0-	1,300
Car/Truck	75	75	75	100	150	175	200	175	175	100	100	75	1,475
Insurance	555	555	555	555	555	555	555	555	555	555	555	555	6,660
Interest	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Legal and Office	50	50	250	50	50	50	50	50	50	50	50	50	800
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	20	20	20	20	20	100	150	100	100	20	50	20	640
Supplies	10	10	10	75	50	50	50	50	50	10	20	10	395
Tax (excluding payroll)	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Travel	150	150	150	50	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500
Utilities	60	60	60	70	100	500	550	500	300	70	80	60	2,410
Other	-0-	-0-	-0-	200	200	200	200	200	200	-0-	-0-	-0-	1,200
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	(LEAVE THIS BLANK-FOR NOW)												-0-
TOTAL EXPENSES	1,775	1,775	1,975	2,275	2,580	2,585	2,710	2,585	2,385	1,660	1,710	1,625	26,18

Projected Income Statement--Year 1 (by Months)

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each month.

Step 1:

Fill in the sales for each month. You already estimated these figures on the Sales Forecast sheet. Just copy those figures for each month onto this sheet.

Step 2:

Fill in the cost of goods sold for each month. You already estimated these figures in the section Cost of Goods Sold. Just copy those figures for each month onto this sheet.

Step 3:

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

Step 4:

Fill in the three categories of Operating Expenses—Labor. You estimated these figures on the Operating Expense--Labor sheet. Just copy those figures for each month onto this sheet.

Step 5:

Fill in the Operating Expenses-Nonlabor. You estimated these figures on the Operating Expenses - Nonlabor. Just copy these figures for each month onto this sheet.

Step 6:

Fill in the Monthly Depreciation Expense. This figure should be an estimate arrived at with the assistance of a professional in accordance with IRS guidelines.

Step 7:

Calculate the Total Operating Expenses for each month and write that figure on the Total Operating Expense line.

Step 8:

Calculate the Net Profit or Net Loss (Before Income Taxes) for each month (Gross Margin minus Total Operating Expenses).

Step 9:

Add each line horizontally to arrive at the Year Total.

Step 10:

Add the Year Total figures vertically. This total will be a check figure for your Net Profit monthly figures added horizontally. They should be equal.

Projected Income Statement--Year 1 (by Month)

	1	2	3	4	5	6	7	8	9	10	11	12	Yr. Tot.
Sales	-0-	-0-	-0-	1,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	63,250
Cost of Goods Sold	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1,000	-0-	8,700
Gross Margin	-0-	-0-	-0-	500	2,150	12,700	15,300	12,900	7,700	1,100	2,200	-0-	54,550
Operating Expenses													
Advertising	-0-	-0-	-0-	300	600	100	100	100	100	-0-	-0-	-0-	1,300
Car/Truck	75	75	75	100	150	175	200	175	175	100	100	75	1,475
Insurance	555	555	555	555	555	555	555	555	555	555	555	555	6,660
Interest	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Legal and Office	50	50	250	50	50	50	50	50	50	50	50	50	800
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	20	20	20	20	20	100	150	100	100	20	50	20	640
Supplies	10	10	10	75	50	50	50	50	50	10	20	10	395
Taxes-Not Payroll	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Travel	150	150	150	50	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500
Utilities	60	60	60	70	100	500	550	500	300	70	80	60	2,410
Wage (Including Tax and Fringe)	905	905	905	1,810	2,602	2,263	2,263	2,263	2,263	2,094	1,810	905	20,988
Other	-0-	-0-	-0-	200	200	200	200	200	200	-0-	-0-	-0-	1,200
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Total Operating Expenses	3,325	3,325	3,525	4,730	5,827	5,493	5,618	5,493	5,293	4,399	4,165	3,175	54,368
NET PROFIT (LOSS)	(3,325)	(3,325)	(3,525)	(4,230)	(3,677)	7,207	9,682	7,407	2,407	(3,299)	(1,965)	(3,175)	182

Projected Income Statement- Years 2 and 3 (by Quarters)

On the previous page you completed an income statement for your first year of operations. In this section you will complete statements for years 2 and 3, but you will do it by quarters (rather than by months as you did for year 1).

You just need to follow the same ten steps used on the previous page to complete the Income Statements for years 2 and 3.

Projected Income Statement—Year 1, 2 and 3 (by Quarters)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
Sales	-0-	22,020	48,120	6,720	76,860	-0-	24,222	52,922	7,392	84,536
Cost of Goods Sold	-0-	3,300	4,620	1,800	9,720	-0-	3,465	4,851	1,890	10,206
Gross Margin	-0-	17,720	43,500	4,920	67,140	-0-	20,757	48,071	5,502	74,332
Operating Expenses										
Advertising	-0-	1,100	330	100	1,530	-0-	1,210	363	110	1,683
Car/Truck	240	455	583	289	1,567	250	470	575	297	1,612
Insurance	1,683	1,683	1,683	1,683	6,732	1,851	1,851	1,851	1,851	7,404
Interest	2,100	2,100	2,100	2,100	8,400	2,025	2,025	2,025	2,025	8,100
Legal & Office	350	150	150	150	800	375	175	175	175	900
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	80	200	450	150	880	85	210	470	160	925
Supplies	30	184	158	60	432	33	200	170	66	469
Taxes-Not Payroll	600	600	600	600	2,400	650	650	650	650	2,600
Travel	450	200	-0-	-0-	650	475	210	-0-	-0-	685
Utilities	180	703	1,418	231	2,532	185	738	1,456	237	2,616
Wage (Including Tax & Fringe)	2,886	7,109	7,230	5,121	22,346	3,074	7,571	7,700	5454	23,799
Other	-0-	600	600	-0-	1,200	-0-	600	600	-0-	1,200
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	1,800	1,800	1,800	1,800	7,200	1,850	1,850	1,850	1,850	7,400
Total Operating Expenses	10,399	16,284	16,502	12,284	55,469	10,853				
NET PROFIT (LOSS)	(10,399)	2,436	26,998	(7,364)	11,671	(10,853)	2,997	30,166	(7,373)	14,937

Projected Cash Flow-
Year 1 (by Months)

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (55218).

Step 1:

Fill in your beginning cash balance for the first month.

Step 2:

Fill in the various categories for Cash Receipts and total them—for the first month only. Be sure to adjust your Sales figure from the Income Statement to show only Cash Sales.

Step 3:

Fill in the various categories for Cash Disbursements and total them—**for the first month only.** Information for cash disbursements is taken from the Income Statement. Most Expenses involve a cash disbursement but some like Depreciation involve no cash outlay and others like Taxes and Insurance require periodic outlays.

Step 4:

Calculate the Net Cash Flow for the first month (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Calculate the Ending Cash Balance for the first—Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

Step 6:

Fill in the Beginning Cash Balance for the second month (which is the Ending Cash Balance for the first month).

Step 7:

Repeat the first six steps for each of the twelve months—remember to complete one month at a time!

Step 8:

Do not add the Beginning Cash Balance horizontally to arrive at the Year Total figure. Instead, fill in the Beginning Cash Balance from Month No. 1. Do not add the Ending Cash Balance horizontally. Your ending Cash Balance at the bottom of the column for Month 12 is your ending Cash Balance for the year.

Step 9:

Add all the other lines horizontally to arrive at the Year Total. Now to arrive at the Year Total for a final figure in the bottom right do the same calculations you did for each month for the Year Total column. The final figure is a check figure for the Month No. 12 figure. They should be equal.

Projected Cash Flow-Year 1 (by Months)

	1	2	3	4	5	6	7	8	9	10	11	12	Yr. To.
BEGINNING CASH BALANCE	12,000	4,450	2,230	10	1,685	(887)	7,425	9,837	18,344	21,856	19,662	18,802	12,000
Cash Receipts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Cash Sales	-0-	-0-	-0-	1,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	63,250
Collect Account Receivables	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loans from Banks, Etc.	-0-	-0-	-0-	5,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,000
Other Receipts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Cash Receipts	-0-	-0-	-0-	6,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	68,250
Cash Disbursements													
Purchases (Merchandise)	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1,000	-0-	8,700
Advertising	-0-	-0-	-0-	300	600	100	100	100	100	-0-	-0-	-0-	1,300
Car/Truck	75	75	75	100	150	175	200	175	175	100	100	75	1475
Insurance	3,330	-0-	-0-	-0-	-0-	-0-	3,330	-0-	-0-	-0-	-0-	-0-	6,66(
Interest & Principle	750	750	750	750	750	750	5,800	750	750	750	750	750	14,05(
Legal & Office	50	50	50	250	50	50	50	50	50	50	50	50	80(
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	20	20	20	20	20	100	150	100	100	20	50	20	64(
Supplies	10	10	10	75	50	50	50	50	50	10	20	10	395
Taxes (other than payroll)	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Travel	150	150	150	50	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	50(
Utilities	60	60	60	70	100	500	550	500	300	70	80	60	2,41(
Wages (incl. tax & fringe)	905	905	905	1,810	2,602	2,263	2,263	2,263	2,263	2,094	1,810	905	20,98
Other	-0-	-0-	-0-	200	200	200	200	200	200	-0-	-0-	-0-	1,20(
Purchase Capital Equipment	2,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,00(
Owner's Withdrawals	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Cash Disbursed	7,550	2,220	2,220	4,325	5,722	5,888	14,693	5,888	5,088	3,794	4,060	2,070	63,51
NET CASH FLOW	(7,550)	(2,220)	(2,220)	1,675	(2,572)	8,312	2,407	8,512	3,512	(2,194)	(860)	(2,070)	4,73
ENDING CASH BALANCE	4,450	2,230	10	1,685	(887)	7,425	9,832	18,344	21,856	19,662	18,802	16,732	16,73

Projected Cash Flow-
Years 2 and 3 (by Quarters)

On the previous page you completed the cash flow projections for your first year of operations. In this section you will complete the cash flow projections for years 2 and 3, and you will do it by quarters.

You just need to follow the same nine steps used on the previous page. Remember to complete one quarter at a time!

Cash Flow Projections--Years 2 and 3 (by Quarters)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
BEGINNING CASH BALANCE	16,732	6,900	12,069	38,434	16,732	34,403	20,400	17,247	49,263	34,403
Cash Receipts										
Cash Sales	-0-	22,020	48,120	6,720	76,860	-0-	24,222	52,922	7,392	84,536
Collect Account Receivables	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loans from Banks, Etc.	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other Receipts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Cash Receipts	-0-	22,020	48,120	6,720	76,860	-0-	24,222	52,922	7,392	84,536
Cash Disbursements										
Purchases (Merchandise)	-0-	3,300	4,620	1,800	9,720	-0-	3,465	4,851	1,890	10,206
Advertising	-0-	1,100	330	100	1,530	-0-	1,210	363	110	1,683
Car/Truck	240	455	583	289	1,567	250	470	595	297	1,612
Insurance	3,366	-0-	3,366	-0-	6,732	1,851	1,851	1,851	1,851	7,404
Interest & Principle	2,250	2,250	2,250	2,250	9,000	2,025	2,025	2,025	2,025	8,100
Legal & Office	350	150	150	150	800	375	175	175	175	900
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	80	200	450	150	880	85	210	470	160	925
Supplies	30	184	158	60	432	33	200	170	66	469
Taxes (other than payroll)	600	600	600	600	2,400	650	650	650	650	2,600
Travel	450	200	-0-	-0-	650	475	210	-0-	-0-	685
Utilities	180	703	1,418	231	2,532	185	738	1,456	237	2616
Wage (Inc. taxes & fringe)	2,286	7,109	7,230	5,121	21,746	3,074	7,571	7,700	5,454	23,799
Other	-0-	600	600	-0-	1,200	-0-	600	600	-0-	1,200
Purchases of Capital Equipment	-0-	-0-	-0-	-0-	-0-	-0-	8,000	-0-	-0-	8,000
Owner's Withdrawals	-0-	-0-	-0-	-0-	-0-	5,000	-0-	-0-	10,000	15,000
Total Cash Disbursed	9,832	16,851	21,755	10,751	59,189	14,003	27,375	20,906	22,915	85,199
NET CASH FLOW	(9,832)	5,169	26,365	4,031	17,671	(14,003)	(3,153)	32,016	(15,583)	(663)
Ending Cash Balance	6,900	12,069	38,434	34,403	34,403	20,400	17,247	49,263	33,740	33,740

Completed Planning Documents
for a Business Plan

Introduction - Description of Business

The purpose of this section is to draw the broad brush strokes describing your business idea. You are setting up the foundation in this section not doing all the detail work. The details of your target customers, your marketing plan, organization structure, etc., will be laid out in the remainder of the plan. Do not worry about them in this section.

Your description can be done simply by answering the four questions on the work sheets. When you have answered those questions in a sentence or two (don't get wordy or detailed), just put them (the sentences) together into a paragraph or two and your description is written. A description should rarely exceed one page and should normally be one-half page or less.

Now that you know what the foundation of your business looks like (the description), you are ready to build the business plan. We recommend you go to the Marketing Plan next as it is a logical progression. However, while doing the Marketing Plan, you will be obtaining other information that will be needed in other sections of your research. We recommend that you take a short amount of time to review the other sections of your plan to alert you to what is needed in those sections. That way you will be more aware of your need for that information and will preserve that data for future needs.

Description of the Business

1. What type of business are you planning?

   My business will . . .

   be a full-service campground.

A very general statement such as a grocery store, a campground, a repair shop, etc.

2. What products or services will you sell?

   Our primary . . .

More specific statements concerning what will be sold such as

   business will be to rent space, have a camp store, and entertainment center with video games and rent boats and canoes.

3. Why does it promise to be successful?

   My success should be assured . . .

A specific statement as to why you think your business will be successful.

   because we are on a small lake in a growing tourist area, and the area campgrounds are filled five out of seven days from June 1 to September 15.

4. What are the growth opportunities?

A brief statement of research, if possible, or a conclusion drawn from studying the market for your good or service.

Camping is increasing at a rate of 5 to 7 percent a year in the state of Wisconsin. We have a solid tourist-oriented base and will be getting a Water Park and a Dog Track nearby at the beginning of the coming summer. Both should add significantly to customer traffic in the area and thereby increase our sales.

Introduction - Marketing Plan

This section of your business plan is designed to help you find out who your customers are, what they look like economically, and where they live, shop, and work. You also want to find out what they like, how they are attracted to buy that like, and the best ways to sell them so they buy your product or service.

This section of your plan works up your facilities' needs, location, size, parking needs, signage, lighting, sales area, storage, etc. It also begins to develop your first cost figures for the financial plan section.

When you have completed this section of work papers, summarize them by writing what you have learned about the customers you are after, the way you will attract and sell them, and the size and location of your business facility. Write your sentences and paragraphs in the same order as the work sheets. If you wish to make a brief mention of costs here, that is alright, but do not go into detail. That information, in detail, will be covered in your financial plan.

This section should be about one page long and not more than two pages long. When you have finished your Marketing Plan, go on to the Operations Plan.

Marketing Plan

A. Who are your potential customers:

My immediate customers for my business are . . .

A group of identified customers must be identified in this section.

Middle to upper-middle class people. Our emphasis will be on people with pop-ups and motor homes traveling with their families.

Only a small portion of current customers are tent campers (8 percent), and the tent sites rent for 20 percent less than fully developed sites. We will continue renting to tent campers, but the number of sites for tents will not be increased.

Future customers for my business will be . . .

We are looking here for future enhancement of the business or expansion of the business.

We will expand the sites available at 10 percent a year for the first five years. As we develop, we will begin leasing sites on a one-year lease for motor homes and trailers. Long-term plans call for small cottages on the section that would be difficult to turn into campsites.

The camp store will be upgraded with gas pumps (Year No. 4) and expanded hours to turn it into a convenience store in Year No. 5. Very long range we will be looking at camping unit repairs and sales (five to ten years).

B. How will you find your customers?

I will find my customers by . . .

Here we are looking for a brief summary of a plan to market to specific people or groups of people who would buy our products or services.

I will find my customers by joining the local "Small Lakes Tourism Association" and a state or regional campground owners' association. We will also attend regional camping and sports shows. The seller of the campground has agreed to supply us with a list of his previous customers (approximately 500 people).

C. How will you attract/sell your customers?

I will attract/sell my customers by . . .

One we find our best potential pool or pools of customers, we have to turn them from potential customers to the real thing - people paying for our goods and services.

We will direct mail a brochure and letter of introduction to all previous customers of the campground introducing ourselves and emphasizing our firm commitment to a quality experience for them at our new business. We will also direct mail to any individual camper who shows interest in our area.

We will get brochures out to tourist info center and will advertise in regional camping magazines. The sign on the main highway will be upgraded and made more attractive to draw people to our site.

D. How will your business hold its customers?

Once the business gets a customer, we will keep that customer by:

1. Camp sites, play areas, buildings, and beach will be clean, sanitary, and safe. All maintenance and clean-up will be "same day" targeted.

2. Doing things right the first time. All equipment will work properly and all camp facilities - electric, sewer, and water - will be maintained so no customer complaints will arise.

3. Customer service and family atmosphere will be 100 percent critical - all person-to-person contact will be friendly and professional.

Our objective in this section is to delineate what we will do to get our customers to return after their first stay. Our target is a 90 percent return over a two-calendar year period.

E. How will you use promotion to affect your business potential?

I will promote my business by:

1. Participating in state and regional promotions.

2. Developing and assisting in developing local projects and activities promoting the local area.

3. Networking with other businesses to do cross promotion with their businesses.

4. TV, radio, newspaper - news events that relate to the area or my specific business.

F. How will you site your business?

My business will be located:

1. In a high-traffic area because . . .

   Only our signs and brochures will be in high-traffic areas.

2. In a low-traffic area because . . .

   We want to give people a peaceful and pleasant camping experience away from the hazards and noise of traffic and the hustle and bustle of the city and highway areas.

3. In my home because . . .

   The office will be in my home because it will be lower cost and easier to man (person if you prefer) for the 14-hour periods necessary. Our home is at the entrance to the campground and is next to the store and rec. room for added convenience.

G. What features must your business have?

1. Parking? 50 spaces for campsites, five spaces next to house, and ten next to the store.
2. Signage? On highway 174
3. Outdoor display? No
4. Indoor display? In store only
5. Warehouse area? Maintenance and winter storage
6. Office area? In home
7. Sales offices? Same as above
8. Break area? Not needed now
9. Lighting? Done but needs to be upgraded
10. Atmosphere? Working on it
11. Repair/maintenance area? Warehouse
12. Demo area? Not needed now
13. Heating and cooling? Adequate
14. Trees and lawn? Trees need trimming and lawn must be upgraded
15. Roadways? Need to be improved
16. Video machines? Need to be modernized/replaced
17. Playground equipment? Good but needs paint
18. Total area needed:

Parking	Adequate	
Outdoor display	-	
Rec. room		1,500 sq. ft.
Warehouse		1,000
Sales offices		-
Demo area		-
Break area		-
Repair and maintenance		200
General office		100
Total indoor area		2,800 sq. ft.

H. How will your building contribute to your:

1. Marketing strategy?

My building will contribute to my marketing strategy by:

A. Office - convenient, well organized, and clean.

B. Store - well stocked, reasonably priced, convenient, well lit, clean, and well maintained.

C. Rec. room - nice atmosphere, clean, and good games and equipment. All well maintained.

In "A", "B", and "C", we would normally list three major advantages that our building would give us. For the campground we have three buildings and are listing the contributions of each.

2. Potential business success?

My building will help me because:

A. They are clean.

B. Well maintained and stocked.

C. They look good and add to the quality appearance of our business.

The purpose of Section "H" is to evaluate what your building site and condition do to enhance your business. If a building is important, you can better justify its cost than if it is not important to your customer needs and satisfaction.

I. My ideal building and layout:

This page is for roughing out your ideal building plan and how you would lay it out. Your final business pan would require a somewhat more formal drawing than freehand, but should not require more than a neatly done drawing done to scale on a piece of graph paper. Don't have it professionally done unless it is a very critical part of your plan and must be used by a builder or contractor.

We will use current buildings for at least ten years. Layout is fairly good and would be very expensive to change - built-in coolers, counters, etc. Layout changes will be looked at as we get more experience with the business. At that time we will look further into changes.

Photos of building are attached.

J. The minimum building and layout:

Here we are looking for the bare bones that you can get along with without shorting your customers. Always be careful to differentiate between what you need (want) and what you must have to effectively do business. You must keep your costs as low as possible when first starting out - the "good stuff" can come later when you can afford it. Remember that Steve Jobs (founder of Apple Computer) started in his garage. He is not an exception to the start-up rule. He is an exception only in his success.

Also, try to start in something you already own if possible - your basement, garage, spare room, attic, etc. If you can't do that, try to lease adequate space. Your last alternative should be to lock yourself into a heavy fixed cost, a set size, and a fixed location by building your own building. Once you own a building, you better like it because you probably can't sell it, you can't move it, and chances are you won't have the money available early on to expand it.

Not applicable at this time, as there is no building or remodeling to be done.

Note: This analysis is done to help direct our marketing and development. It is not for one-upmanship or criticizing the competition.

K. Director competitors:

#1 Yogi Bear

Strengths:

Try to find at least four things they are good at.

1. Heavy advertising.

2. National chain.

3. Lots of activities.

4. Clean and well organized.

Weaknesses:

Try to find at least four areas where they are weak or not very competitive.

1. Draws a very specific camper.

2. Very little shade.

3. Noisy.

4. No lake, just a pool.

I can take advantage of:

Do not concentrate on pointing out their weaknesses. Instead point out where you are either superior or something your customers would like.

1. My shady sites.

2. My peace and quite.

3. Our nice lake and good swimming area.

#2 Red House Acres

Strengths:

1. Quiet atmosphere.

2. Friendly service.

3. Shady sites.

4. Convenient location.

Weaknesses:

1. No water (pool or lake).

2. No store.

3. Small sites.

4. No drinking water at sites.

I can take advantage of:

1. My lake.

2. My camp store.

3. Roomy sites.

4. My rec. room.

#3 Rolling Acres

Strengths:

1. Shady sites.

2. Quiet atmosphere.

3. Nice lake.

4. Large sites.

Weaknesses:

1. No rec. room.

2. Primitive sites.

3. Poor service.

4. Borderline swimming area.

I can take advantage of:

1. My rec. room.

2. Beautiful swimming on sand beach.

3. Excellent service.

4. My well-developed sites (water and electric).

Indirect competitors are those that can take your sales dollars or supply a somewhat competing service.

L. Indirect competitors:

#1 Bel Aire Motel

Strengths:

1. Very comfortable and plush.

2. Excellent indoor and outdoor pools.

3. Convenient to highway - right on it.

4. Large ad budget.

Weaknesses:

1. In town.

2. Next to noisy highway.

3. Expensive and no cooking.

4. No play area for kids.

I can take advantage of:

1. Safe, quiet play area for children.

2. Our low-cost site fees and lower meal cost of camper-cooked meals.

3. Serenity and quiet country atmosphere.

4. Our lake.

This analysis really tells us that this business is not competition for us. They appeal to a totally different clientele.

#2 No-Tell Hotel

Strengths:

1. Convenient on the main highway.

2. Meals available in the building.

3. Low-cost rooms.

4. Pleasant, friendly service.

Weaknesses:

1. Poor parking.

2. Noisy location.

3. Crowded.

4. Old and poorly maintained.

I can take advantage of:

1. Safe, quiet play area for children.

2. Our lake.

3. Serenity and quiet country atmosphere.

4. Our family orientation.

M. Marketing Budget First Year:

1. Cards, stationary, and brochures, etc. _____
2. Print advertising. _____
3. Radio advertising. _____
4. TV advertising. _____
5. Signs.
   A. Magnetic for vehicles. _____
   B. Stationary signs for identification and directions. _____ _____
6. Association dues.
   A. Regional or national. _____
   B. Local. _____ _____
7. Miscellaneous. _____

Note: This is for minor marketing costs that may not fit into the other categories above. More importantly it is for the "nice guy" spending requested by others for yearbooks, parades, etc. Make sure this is a very small amount of money to help discipline your spending in these areas.

Total Cost _____

Introduction - Operations Plan

This section is critically important. You must decide what form of business you will use - proprietorship, partnership, or corporate. It is not considered wise to establish a partnership unless it is necessary to obtain skills or money that you must have to succeed. It is not considered economical to establish the corporate form if your sales are less than $250,000 to $300,000. The paper and legal costs will more than eat up any benefits you could expect to gain. There are other circumstances which might dictate the use of the corporate form. This should be discussed and decided with the assistance of a competent attorney.

In this section you will establish the accounts you will need to determine where your money is coming from and going to. If you have little accounting/bookkeeping experience, you should consult an accountant to assist you. Also be sure to note the cautions recommended to avoid theft or embezzlement. There are no solid studies we are aware of on the percent of businesses that fail due to theft or embezzlement. But, my experience tells me it is between 1 in 10 and 1 in 5. Many of these failing businesses go down to theft or embezzlement without ever knowing that was the cause of their failure. Please do be cautious here, as you can control this problem and prevent it.

We strongly recommend a separate cash (checking) account with your business name on it. Establish this as soon as possible so you have an accurate record of your research expenses and can write them off on your taxes. Your recordkeeping of cash, revenue, and expenses can be easily and accurately kept in a pegboard or one-write recordkeeping system available locally from many banks or office supply firms. The best company (cost and reliability) we have found is Nebs.

Do not try to set up a computerized system unless you are computer literate. It will create more problems than it solves and will not do your records any faster than a pegboard system. Lastly, be careful to make sure you have all the permits and clearances from the local, state, and federal levels to do what you want to do. Don't establish a business only to discover what you want to do has to be licensed (and you can't get one) or is not allowed in the

location you have selected. This has led to the demise of too many businesses to count.

Your summary of this section of your plan should be just a couple of paragraphs noting what form of business you have selected and the name of your accountant and attorney if you have them. Also, a statement that you have your local, state, and federal permit and tax "ducks in a row."

Now go on to the Organization Plan.

Operations Plan

A. Legal Form of Ownership?

Sole Proprietorship?

Advantages:

1. Inexpensive.
2. Easy to set up.
3. We are 100 percent in charge.
4. Can move and change very quickly.
5. Limited paperwork.

Disadvantages:

1. One person leadership/management and, therefore, have only one person's ideas.
2. Unlimited personal liability.
3. Limited ability to raise cash.
4. Life limited to life span of the owner/proprietors.

Decision Basis:

This is the lowest cost/fastest way to set up our business. We have no need for a partner and cannot afford the corporate form.

Note: An attorney is almost indispensable when setting up a partnership.

Partnership?

Advantages:

1. Low cost.
2. Quick set-up.
3. Limited paperwork - only need articles of copartnership.
4. Larger amounts of skill and capital available internally.
5. Can change direction quickly.

Disadvantages:

1. Limited life - dissolves upon death of either partner or decision of either partner.
2. Marital problems or death of partner's spouse can dissolve partnership.
3. Larger life and disability insurance costs than a sole proprietorship.
4. Potential disagreements on the direction of the business can dissolve the business.
5. Unlimited liability for both partners and each individually.
6. More expensive than sole proprietorship.

Decision Basis:

Partnership does not look like a good idea. We have no need for a partner (skills or investment) and it would be more costly to set up than a sole proprietorship. Also, with a partner, we would have to split the profits.

Note: An attorney is almost indispensable when setting up a corporation.

Corporation?

Advantages:

1. Limited liability for acts of corporation. Debt incurred, however, will be co-signed as required by a financial institution or other lender.
2. Can raise unlimited amounts of capital - if we can find buyers for the stock.
3. Ease of raising capital enables the business to expand rapidly.
4. Skills are available from a number of shareholders and board members.
5. Because of skills available, company can engage more effectively in multiple businesses.
6. Unlimited life - corporation is an artificial being separate from the stockholders.

Disadvantages:

1. Activities of company regulated by state and federal law.
2. Extensive and somewhat costly procedures to set up and run business.
3. Extensive paperwork required by each state in which you do business.
4. Tax rates can be significantly higher than proprietorship or partnership. Can be negated by Subchapter "S" selection.
5. Can be slow to change if the board cannot agree to a course of action.
6. More expensive than either the partnership or sole proprietor form.

Decision Basis:

Cannot see a specific need for this form and do not want to go into the expense and paperwork. Sales are far too low to support this form of business when we have no special need for the protection offered. Sales should be in the $250,000 area to make it worthwhile to incorporate. No other special needs that would require incorporation.

B. How will you manage your recordkeeping?

Asset Accounts:

1. Cash.
2. Marketable securities.
3. Notes receivable.
4. Accounts receivable.
5. Merchandise inventory.
6. Prepaid expenses.
7. Supplies inventory.
8. Office equipment.
9. Furniture.
10. Tools.
11. Production equipment.
12. Autos.
13. Trucks.
14. Building.
15. Building and land improvements.
16. Land.
17.
18.
19.
20. Accumulated depreciation (one account for each depreciable asset).

Note: This is a somewhat comprehensive but not totally comprehensive listing of accounts commonly used in a sole proprietorship. It is recommended that some outside expertise be used to establish a recordkeeping system for a sole proprietorship. Outside expertise is essential for a partnership or corporation. Blanks are for other accounts as necessary.

Liability Accounts:

1. Accounts payable.
2. Notes payable.
3. Taxes payable.
4. Sales taxes payable.
5. Mortgage payable.

Capital Accounts:

1. Owners equity.
2. Drawing account.
3. Profit and loss summary.
4. Cost of goods sold.

Income Accounts:

1. Site rental income.
2. Camp store sales.
3. Game room and boat revenue.
4. Miscellaneous income.
5. Sales returns and allowances.
6. Sales discounts.

Note: These accounts should be listed in the same order as found on Schedule C of the federal tax forms. If possible, use the same accounts as on Schedule C or set up your accounts in an order that allows you to summarize to match the Schedule C accounts.

Expense Accounts

1. Advertising.
2. Bad debts.
3. Car and truck expense.
4. Commissions.
5. Depreciation.
6. Dues and publications.
7. Insurance.
8. Interest.
9. Laundry and cleaning.
10. Legal and professional.
11. Office expense.
12. Rent.
13. Repairs and maintenance.
14. Supplies.
15. Taxes - not payroll.
16. Travel, meals, and entertainment.
17. Utilities and telephone.
18. Wages - including taxes and fringe.
19. Miscellaneous.

Note: These accounts are necessary only if you purchase merchandise for resale at a profit. You will not need these accounts if you have a service business.

Purchase Accounts

1. Purchases.
2. Purchase returns and allowances.
3. Purchase discounts.
4. Freight in on purchases.

C. Who will do the recordkeeping?

1. Entries? Fran or Bob

2. Check writing? Fran or Bob

3. Receipts? Fran or Bob

4. Accounts receivable? Not needed

5. Accounts payable? Fran or Bob

6. Deposits? Fran or Bob

7. Reconciliation of bank records? Fran or Bob

Note: If there is a page in these worksheets that should be printed in warning red, this is it! The proprietor must keep himself/herself in the financial loop at all times. No one, repeat, no one outside of the proprietor or their trusted spouse can be trusted to complete any of the accounting loops on a continuous basis. The owner or spouse must get into each loop permanently or on an intermittent basis (not less than monthly) to avoid the potential of embezzlement. A typical loop would be handling receipts, recording receipts, and reconciling the Cash Account.

Note: Many businesses have had start-up problems or even folded because they failed to check on licenses, permits, and zoning. Keep careful notes here as failure to do so could result in problems that are insurmountable or disastrous.

D. What licenses and permits will you need?

City or township?

1. Town chairperson - no permits needed. 10 a.m on August 12, 1990, at town hall.
2. Taxes - real estate paid through bank monthly.
3. Jukebox license - annual every January 1.
4. Liquor license for store. Transferred at purchase. Renewed annually every January 1.

County?

1. Zoning administration - zoning okay. Joe Bilderbach at 1:30 p.m. on August 5, 1990, at county courthouse.
2. Health - state inspector inspected and sent letter of approval August 24, 1990.
3. Sewer - inspected August 5, 1990, and is okay. Record of inspection in purchase files.
4. County sales tax - handled through state.

State?

1. Beach - no regulation other than for changes in the land or lake bed.
2. Boats - coast guard approved. Registered with state. Life jackets approved and included with each boat.
3. Sales tax - need number from Department of Revenue.
4. Income tax.
5. License for food sales.

Federal?

1. Income tax.

Note: Same cautions as on previous page.

E. What regulatory agencies will you have to deal with?

City/Township:

1. Liquor license for store - came with purchase. Renewed annually with the township on January 1.

County:

1. Zoning - okay.
2. Sewer - okay. Checked before purchase. Good for up to 200 sites and laundry and showers.

State:

1. Boats - registered with state.
2. License for food sales - have certificate good for one year renewed each January 1.
3. Department of Industry, Labor, and Human Relations (Worker's Compensation and Unemployment Compensation).

Federal:

1. Unemployment Compensation.

Introduction - Organization Plan

This section is used to establish the staffing needs and labor costs of your business. It is also the start of writing job descriptions and salary or wage planning two areas where small businesses tend to be woefully inadequate. Please, before you hire someone, know what you want them to do and know why you need them doing it.

Data for this section can be summarized by writing a paragraph listing the positions and their monthly costs. Further use will be made of these costs in the Financial and Proforma sections of your plan so you do not need a lot of detail here.

Now go on to the Financial Plan.

Organization Plan

A. Who will manage the business?

The business will be managed by . . . my wife and me.

B. What qualifications will you look for in a manager?

The manager's management background must include . . . previous experience managing a service-oriented operation. Ideally this background would be in camp or campground management. Preference could also be given to a person with some customer service experience.

The manager's technical skill area must include . . . records management, sales, and service.

The ideal manager would also . . . have some formal training in marketing and management. Preference would be given to a person with some mechanical background.

Pay rate: Start $800 per month One year $850 per month

Profit sharing . . . 10 percent of net profit each month.

C. How many employees will you need?

We will need 3 employees.

D. How will your employees be organized?

Employees will be organized into units based on:

Manufacturing: none.

Maintenance: Maintenance custodian

Duties as follows:

1. Maintain lawns.
2. Trim trees.
3. Painting.
4. General repairs.
5. Maintain grounds equipment and tools.
6. Maintain swimming area and docks.
7. Clean boats.
8. Other duties as assigned.

Marketing: Store manager who will run store, keep records, stock shelves, order product, run cash register, service customers, and stand in as camp manager when needed.

Administrating: Camp manager

Duties as follows:

1. Manage camp.
2. Assign duties to employees.
3. Direct all marketing.
4. Hire and dismiss employees.
5. Register guests.
6. Handle complaints.
7. Evaluate employee performance.
8. Keep summary records.
9. Budgeting.

Other:

E. How many employees will be needed in:

Manufacturing: None

Duties will be:

1.

2.

3.

Pay rates: Start _____ One year _____

Notes:

Marketing: Store manager

Duties will be:

1. Manage all functions of the camp store.
2. Order, receive, and stock all merchandise.
3. Operate cash register and keep all records.

Pay rates: Start $600 per month One year $640 per month

Participation in sales . . . 2 percent of sales over $1,000 per month. One-half of bonus paid each month, the remaining portion of bonus paid at the end of season only for an employee completing the season.

Notes:

Administrative: General Manager

Duties will be:

1. Overall management of operation.
2. Finance and recordkeeping.
3. Office/registration.

Pay rates: Start $800 per month One year $850 per month

Notes:

Other: Maintenance/Custodian

Duties will be:

1. General repair and maintenance.
2. Grounds and waterfront maintenance.
3. Building clean-up and supervision.

Pay rates: Start $500 per month One year $550 per month

Notes:

Contracted Specialists: None

#1 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

#2 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

#3 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

#4 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

Introduction - Financial Plan

In this section we are developing the costs you will incur to open the doors of your business for the first month or two before you begin to receive any revenue from the business. . This is not only a tabulation of cost, but it is also a checklist to make sure you consider all the cash you will need to get your business up and running. You may be unpleasantly surprised at how much you will have to put out before anything comes in. But, better to find out on paper than to find out in the harsh reality and panic of not being able to pay your bills that you are in over your head.

A further note of importance must be mentioned concerning this section. It is here that you will get a strong indication of how much you will have to borrow, if any, to carry your business through its birth stage. Make sure, if you must borrow money, that you borrow enough to carry you through to the point where the business is self-sustaining (able to meet all the bills). Borrowing money is very hard to do when you are starting a business. It is impossible to do after you have borrowed too little and now need more money. The primary thought in your banker's mind will be "Am I sending good money after bad money already lent to this fool?" and that thought is almost impossible to overcome.

Your summary of this section is just a brief paragraph stating that this is the cost of opening your business and then the listing of the costs summarized on the last page of the Financial Plan.

Now you are ready to go on to the Proforma Plan for Revenue, Expense, and Cash Flow.

Financial Plan

A. What will it cost to open the business?

1. Building exterior

a.	Parking	$ -0-
b.	Signage	$ 500-
c.	Lighting	$ 575-
d.	Electrical	$ 150-
e.	Decorating	$ 1000-
f.	Landscaping	$ 350-
g.	Parking	$ -0-
h.	Mower and lawn equipment	$ 450-
i.	Snow equipment	$ 650-
j.	Supplies	$ 100-
k.	Misc. Tools	$ 500-
l.	Garbage Service	$ 150-

Total Cost $ 4,325

2. Building Interior

a.	Rent	$ -0-
b.	Deposit	$ -0-
c.	Remodeling	$ 2,650-
d.	Decorating	$ 250-
e.	Cleaning	$ 100-
f.	Telephone	$ 80-
g.	Electric	$ 75-
h.	Heat and AC	$ 75-
i.	Water and sewer	$ 10-
j.	Security	$ -0-
k.	Supplies	$ 150-
l.		$
m.		$
n.		$

Total Cost $ 3,390

3. Building equipment

a. Display cases	$ 500-	Cleaning + repairing
b. Counters	$ 750-	
c. Cash register	$ 200-	
d. Safe	$ -0-	
e. Coolers	$ 500-	Cleaning + repairing
f. Warmers	$ -0-	
g. Cookers	$ 150-	
h. Dispensers	$ -0-	
i. Window treatments	$ 350-	
j. Vacuum cleaner	$ 75-	
k. Brooms Mops etc.	$ 30-	
l. Supplies	$ 20	
m.	$	

Total Cost $ 2,575-

4. Office equipment

a.	Desks and chairs	$ -0-
b.	Typewriter .	$ 25- clean-up.
c.	Calculator	$ -0-
d.	Tables and chairs	$ -0-
e.	Computer and software	$ -0-
f.	Desk equipment	$ 100-
g.	Lighting	$ 150-
h.	Wastebasket	$ 20-
i.	Decorations	$ 250-
j.	Fax and supplies	$ -0-
k.	Copy machine and supplies	$ -0-
l.		$
m.		$

Total Cost $ 545-

5. Office supplies

a.	Letterhead and envelopes	$ 150-
b.	Cards	$ 100-
c.	Postage	$ 20-
d.	Pencils, paper, etc.	$ 30-
e.	Cutting and stapling	$ 15-
f.	General paper	$ -0-
g.		$
h.		$

Total Cost #315-

6. Merchandise inventory cost

a.	Meat	$ 200-
b.	Dairy	$ 250-
c.	Bread + Rolls	$ 175-
d.	Confections	$ 250-
e.	Canned Goods	$ 650-
f.	Produce	$ 50-
g.	Staples + Condiments	$ 100-
h.	Soft Drinks	$ 250-
i.	Liquor	$ 200-
j.	General Camp Supplies	$ 350-
k.	Wood	$ 150-
l.	Automotive/Campers	$ 400-
m.	Miscellaneous	$ 150-
n.		$
o.		$
p.		$
q.		$
r.		$
s.		$
t.		$
u.		$
v.		$
w.		$
x.		$

Total Cost $ 3,175

7. Parts inventory (service) None

a. _____ $_____

b. _____ $_____

c. _____ $_____

d. _____ $_____

e. _____ $_____

f. _____ $_____

g. _____ $_____

h. _____ $_____

i. _____ $_____

j. _____ $_____

k. _____ $_____

l. _____ $_____

m. _____ $_____

TOTAL COST: $ —0— _____

8. Equipment and Tools

a.	Trucks	$ 200-
b.	Autos	$ 200-
c.	Trailers	$ 400-
d.	Racks	$ -0-
e.	Ladders and scaffolding	$ 150-
f.	Hand tools	$ 300-
g.	Clean-up equipment	$ 100-
h.	Machine Air compressor	$ 350-
i.	Machine	$ -0-
j.	Machine	$ -0-
k.	Supplies	$ 75-
l.	Installation and set-up costs	$ 25-
m.	Mower + sweeper	$ 2,750-
n.	_____	$ _____

TOTAL COST: $ 4,550-

9. Labor costs* - first month

a.	Production	$ -0-
b.	Marketing	$ 600-
c.	Office	$ -0-
d.	Management	$ -0-
e.	Self	$ 800-
f.	Maintenance/Custodian	$ 500-
g.	Miscellaneous	$ 100-
h.	_____	$ _____

*Includes all fringe costs.

TOTAL FIRST MONTH LABOR: $2,000

10. Insurance costs - first quarter

a.	Fire and ext. coverage 6 mo	$ 870-
b.	Liability 6 mo	$ 1,200-
c.	Auto and truck 6 mo.	$ 700-
d.	Marine (shipping)	$ -0-
e.	Health and accident	$ -0-
f.	Life (including buy-back) 1/yr.	$ 560-
g.	_____	$ _____
h.	_____	$ _____
i.	_____	$ _____

TOTAL COST FIRST QUARTER: $ 3,330

11. Financial costs - first month

a. Principle and interest--
first mortgatge $ 525-

b. Principle and interest--
other loans $ 225-

c. Property Taxes 1 mo's $ 200-

d. _____ $ _____

e. _____ $ _____

TOTAL COST FIRST MONTH: $ 950-

12. Marketing costs - first month including preopening

a. Advertising

1.	Radio	$ 250-
2.	Television	$ -
3.	Newspaper	$ -
4.	Mail	$ 175-
5.	Fliers	$ 200-
6.	Other	$ 100-

Total $ 725-

b. Grand opening

1.	Promo	$ -0-
2.	Personnel	$ -0-
3.	Prizes	$ -0-
4.	Food	$ -0-
5.	Other	$ -0-

Total $ -0-

c. Printed material

1.	Brochures	$ 225-
2.	Instructions	$ -0-
3.	Open/Closed Sign	$ 10-
4.	Other	$ 50-

Total $ 285-

TOTAL MARKETING COSTS: $ 1,010

B. Summary of Cost to Open Business

1. Building exterior	4,325-
2. Building interior	3,390-
3. Building equipment	2,575-
4. Office equipment	545-
5. Office supplies	315-
6. Merchandise inventory	3,175-
7. Parts inventory	-0-
8. Equipment and tools (for production)	4,550-
9. Labor costs	2,000-
10. Insurance costs	3,330-
11. Financial costs	950-
12. Marketing costs	1,010-
13. Other costs	
Total cost to open	23,165

Introduction - Proforma Plan for Revenue, Expense, and Cash Flow

If you have made it this far and your plan still looks good - Congratulations! Your reward is to do the hardest and perhaps most important part of your business plan.

This section is not done in any particular order because as you are gathering information for each of the parts, you will normally get other pieces of information for other parts of this section. We have included detailed instructions with each document in this section so I will not give any further instruction here.

This entire section is included in your business plan. There is no summary, as the parts of the plan do all the speaking. Do not let it bother you to do this entire section in pencil for your final plan. You are sure to make mistakes and you can erase if necessary, and anyone looking at the material will understand why you have used pencil and might even consider you a little demented if you do it in ink.

It is in this section and in the Financial Plan section where you will find out if you can handle your business as you envision it in your mind. You may find that you will have to downsize the business. You may find that you will have to make the business bigger. Whichever result comes up, better to know now than to find out after you open the doors. A third and not impossible outcome of your research is that your plan on paper is near perfect.

If, after study by you and your advisors, it turns out that you have a feasible and viable plan, call your banker or investors and make an appointment to apply for the cash. Then dress appropriately (preferably a conservative suit), put on a confident face, and go for it. You are now ready to enter one of the most rewarding, exasperating, exhilarating, hectic periods of your life. Good luck and good business!

Sources and Uses of Financing

This section is another critical financial forecast—what will be the sources of your initial financing? The next step—how will you use this financing to buy the assets needed to open your doors for business?

This section will not be used if you already own an existing business.

Step 1:

Fill in the cash amounts to be invested by the various owners.

Step 2:

Fill in the market value of the noncash assets to be invested by the various owners.

Step 3:

Fill in the bank loans to your business—both short-term (one year or less) and long-term.

Step 4:

Fill in the amounts of personal loans which are likely secured by your personal assets (your home, for example).

Step 5:

Fill in any business loans from other sources in the other section.

Step 6:

Fill in the amounts of cash used to buy various assets in the Uses of Financing section.

Step 7:

Fill in the noncash assets contributed by the owners (use the same amounts that you listed in the Sources of Financing section).

Step 8:

Total both sections (Sources and Uses)—they should equal.

Sources of Financing

Investment of cash by Owner No. 1	$ 70,000
Investment of cash by Owner No. 2	-0-
Investment of noncash assets by Owner No. 1	9,000
Investment of noncash assets by Owner No. 2	-0-
Bank loans to business—short-term	12,000
Bank loans—personal Credit Card	1,000
Other (specify) First Mortgage	81,000
Total Sources of Financing	$ 173,000

Uses of Financing

Land	$ 80,000
Buildings	50,000
Equipment	8,000
Remodeling	2,650
Initial Inventory	3,175
Working capital to pay operating expenses	12,000
Noncash assets contributed by owners (use same amount as in Sources)	9,000
Other assets (specify) Clean up and refurbish buildings + land.	8,175
Total Uses of Financing	$ 173,000

Sales Forecast

Forecasting sales of your product and/or services is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Before completing this section, you may want to review the Marketing Plan section of this book.

Step 1:

Fill in the units-sold line for products 1, 2, and 3 for each month. Instead of different products, you may choose to use different departments, customer groups, or other factors. Just cross out the current heading and write in your own title. If you do not use units, skip to Step 3 and fill in total sales.

Step 2:

Fill in the sales price per unit for products 1, 2, and 3.

Step 3:

Calculate the total sales for each of the different products (units sold x sales price per unit).

Step 4:

Calculate the sales (all products) for each month—add down the columns.

Step 5:

Calculate the yearly sales for each product or department—add across the rows.

Step 6:

Total the yearly column. This will be the total sales of all products or departments and will act as a check figure on your all products line. They should be equal.

Note: If you have more than three products, departments, customer groups, etc., just make copies of the Sales Forecast sheet.

Sales Forecasts--
First Year by Month

Site Rentals
~~Product 1~~

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Units Sold													
Sale Price/Unit													
Total Sales	-0-	-0-	-0-	100	800	10,000	11,500	9,800	5,700	500	1,200	-0-	39,600

Camp Store
~~Product 2~~

Units Sold													
Sale Price/Unit													
Total Sales	-0-	-0-	-0-	900	2,000	3,000	3,600	3,000	2,000	1,100	2,000	-0-	17,600

Game Room and Boats
~~Product 3~~

Units Sold													
Sale Price/Units													
Total Sales	-0-	-0-	-0-	-0-	350	1,200	2,000	1,600	900	-0-	-0-	-0-	6,050

TOTAL SALES ALL PRODUCTS	-0-	-0-	-0-	1,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	63,250

Cost of Goods Sold

In the previous section you forecasted the sales of each product or service by month. In this section you will compute your cost for the products you will sell. For example, you might sell a product for $50.00 (the retail price), but your cost of this product might be $30.00 (which includes freight).

If your business sells only a service, you will not have cost of goods sold. If so, you do not need to complete this section and can go to the next chapter.

To complete this section you will need to use data from the previous chapter (Sales Forecast).

Step 1:

Fill in the units-sold line for products 1, 2, and 3 for each month.

Step 2:

Fill in your cost per unit for products 1, 2, and 3.

Step 3:

Calculate the total cost for each of the products—units sold x cost per unit.

Step 4:

Calculate the cost of goods sold—all products for each month—add down the columns.

Step 5:

Calculate the yearly sales for each product—add across the rows.

Step 6:

When you add the yearly total column vertically, you will have a check figure to verify against the All Products total added horizontally.

Cost of Goods Sold--
First Year by Month

Rentals — no cost.

~~Product 1~~	1	2	3	4	5	6	7	8	9	10	11	12	Yearly
Units Sold													-0-
Cost/Unit													
Total Sales													-0-

Camp Store

~~Product 2~~													
Units Sold													
Cost/Unit													
Total Sales	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1000	-0-	8,700

Game Room and Boats — no cost

~~Product 3~~													
Units Sold													-0-
Cost/Units													
Total Sales													-0-

Cost of Goods Sold All Products	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1,000	-0-	8,700

105

Operating Expenses—Labor-Related

Salary expense is your first major category of operating expenses. In this section you will calculate the total cost of having employees working for your business. The total includes: 1) wages and salaries, 2) payroll taxes required by law, and 3) optional fringe benefits you agree to pay for your employees.

It's likely the number of employees (and hours worked) will vary from month to month, especially if your business has seasonal highs and lows. Don't forget to include the wages of part-time employees.

Step 1:

Fill in a brief title for each employee required in your business. If you have more than five employees, you may want to list employees separately on another sheet of paper and bring their totals by department or area to this sheet.

Step 2:

Fill in the salary or wage to be paid each employee, department, or area for each month.

Step 3:

Calculate the total monthly **salaries**—add down the columns.

Step 4:

Calculate the yearly salaries for each position—add across the rows.

Step 5:

Calculate the three types of **payroll taxes** for each of the 12 months. Now add down the columns and across the rows as in Steps 3 and 4.

Step 6:

Calculate the **optional employee benefits** for each of the 12 months. Now add down the columns and across the rows as in steps 3 and 4.

Step 7:

Calculate the total labor-related operating expense for each month.

Step 8:

When you add the Yearly Total column vertically, it is a check figure for your total Payroll, Taxes, and Fringe added horizontally. They should be equal.

Operating Expenses--Labor-Related
First Year by Month

Salary Per Month Position	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
1. Self	800	800	800	800	800	800	800	800	800	800	800	800	9600
2. Store Manager	-0-	-0-	-0-	200	600	600	600	600	600	450	450	-0-	4100
3. Custodian	-0-	-0-	-0-	500	500	500	500	500	500	500	250	-0-	3,750
4. Misc	-0-	-0-	-0-	100	400	100	100	100	100	100	100	-0-	1,100
5.													
TOTAL PAYROLL	800	800	800	1,600	2,300	2,000	2,000	2,000	2,000	1,850	1,600	800	18,550
Payroll Taxes Employer Portion- Social Security	57	57	57	114	164	143	143	143	143	132	114	57	1,324
Federal and State Unemployment	24	24	24	48	69	60	60	60	60	56	48	24	557
Worker's Compensation Insurance	24	24	24	48	69	60	60	60	60	56	48	24	557
TOTAL PAYROLL AND TAXES	105	105	105	210	302	263	263	263	263	244	210	105	2,438
Optional Employee Benefits — None													
Medical/Dental Insurance													-0-
Other Benefits													-0-
TOTAL WAGE (INCLUDING TAX AND FRINGE	905	905	905	1,810	2,602	2,263	2,263	2,263	2,263	2,094	1,810	905	20,988

Operating Expenses--
Nonlabor

Nonlabor expenses include a wide variety of expenses required to operate a business. Many of these expenses are referred to as overhead. The term means that these costs are fixed—they will remain constant regardless of the sales level. For example, your rent might be $500 per month—it stays fixed and does not change as sales go up or down over the months.

On the other hand, some expenses do increase and decrease as sales increase or decrease. These expenses are variable expenses. An example might be your car/delivery expense—as your sales increase, your delivery expense probably would increase.

Step 1:
Review the expenses listed on the facing page, it's likely you can use this list for your business expenses. You may have some expenses which are not listed here—write them in the "other" spaces. A good starting point for a list of expense accounts can be found in Schedule C Profit or Loss from Business in your federal tax forms. Put your accounts in the same order as Schedule C for easier recordkeeping and tax filing.

Step 2:
Fill in your monthly estimate for each category of expense. Remember that some of these expenses will vary throughout the year, especially for businesses with seasonal sales.

Step 3:
Calculate total expenses for each month-add down the columns.

Step 4:
Calculate yearly totals for each expense-add across the rows.

Step 5:
When you add the Yearly Total column vertically, it is a check figure for your Total line added horizontally. They should be equal.

Operating Expenses--Nonlabor— First Year by Month

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Advertising	-0-	-0-	-0-	300	600	100	100	100	100	-0-	-0-	-0-	1,300
Car/Truck	75	75	75	100	150	175	200	175	175	100	100	75	1,475
Insurance	555	555	555	555	555	555	555	555	555	555	555	555	6,660
Interest	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Legal and Office	50	50	250	50	50	50	50	50	50	50	50	50	800
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	20	20	20	20	20	100	150	100	100	20	50	20	640
Supplies	10	10	10	75	50	50	50	50	50	10	20	10	395
Tax (excluding payroll)	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Travel	150	150	150	50	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500
Utilities	60	60	60	70	100	500	550	500	300	70	80	60	2,410
Other	-0-	-0-	-0-	200	200	200	200	200	200	-0-	-0-	-0-	1,200
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	(LEAVE THIS BLANK-FOR NOW)												-0-
TOTAL EXPENSES	1,775	1,775	1,975	2,275	2,580	2,585	2,710	2,585	2,385	1,660	1,710	1,625	26,180

109

Projected Income Statement--Year 1 (by Months)

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each month.

Step 1:

Fill in the sales for each month. You already estimated these figures on the Sales Forecast sheet. Just copy those figures for each month onto this sheet.

Step 2:

Fill in the cost of goods sold for each month. You already estimated these figures in the section Cost of Goods Sold. Just copy those figures for each month onto this sheet.

Step 3:

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

Step 4:

Fill in the three categories of Operating Expenses—Labor. You estimated these figures on the Operating Expense--Labor sheet. Just copy those figures for each month onto this sheet.

Step 5:

Fill in the Operating Expenses-Nonlabor. You estimated these figures on the Operating Expenses - Nonlabor. Just copy these figures for each month onto this sheet.

Step 6:

Fill in the Monthly Depreciation Expense. This figure should be an estimate arrived at with the assistance of a professional in accordance with IRS guidelines.

Step 7:

Calculate the Total Operating Expenses for each month and write that figure on the Total Operating Expense line.

Step 8:

Calculate the Net Profit or Net Loss (Before Income Taxes) for each month (Gross Margin minus Total Operating Expenses).

Step 9:

Add each line horizontally to arrive at the Year Total.

Step 10:

Add the Year Total figures vertically. This total will be a check figure for your Net Profit monthly figures added horizontally. They should be equal.

Projecte[d] Income Statement--Year 1 (by Month)

	1	2	3	4	5	6	7	8	9	10	11	12	Yr. Tot.
Sales	-0-	-0-	-0-	1,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	63,250
Cost of Goods Sold	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1,000	-0-	8,700
Gross Margin	-0-	-0-	-0-	500	2,150	12,700	15,300	12,900	7,700	1,100	2,200	-0-	54,550
Operating Expenses													
Advertising	-0-	-0-	-0-	300	600	100	100	100	100	-0-	-0-	-0-	1,300
Car/Truck	75	75	75	100	150	175	200	175	175	100	100	75	1,475
Insurance	555	555	555	555	555	555	555	555	555	555	555	555	6,660
Interest	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Legal and Office	50	50	250	50	50	50	50	50	50	50	50	50	800
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	20	20	20	20	20	100	150	100	100	20	50	20	640
Supplies	10	10	10	75	50	50	50	50	50	10	20	10	395
Taxes-Not Payroll	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Travel	150	150	150	50	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500
Utilities	60	60	60	70	100	500	550	500	300	70	80	60	2,410
Wage (Including Tax and Fringe)	905	905	905	1,810	2,602	2,263	2,263	2,263	2,263	2,094	1,810	905	20,988
Other	-0-	-0-	-0-	200	200	200	200	200	200	-0-	-0-	-0-	1,200
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Total Operating Expenses	3,325	3,325	3,525	4,730	5,827	5,493	5,618	5,493	5,293	4,399	4,165	3,175	54,368
NET PROFIT (LOSS)	(3,325)	(3,325)	(3,525)	(4,230)	(3,677)	7,207	9,682	7,407	2,407	(3,299)	(1,965)	(3,175)	182

Projected Income Statement- Years 2 and 3 (by Quarters)

On the previous page you completed an income statement for your first year of operations. In this section you will complete statements for years 2 and 3, but you will do it by quarters (rather than by months as you did for year 1).

You just need to follow the same ten steps used on the previous page to complete the Income Statements for years 2 and 3.

Projected Income Statement—Year 2 and 3 (by Quarters)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
Sales	-0-	22,020	48,120	6,720	76,860	-0-	24,222	52,932	7,392	84,536
Cost of Goods Sold	-0-	3,300	4,620	1,800	9,720	-0-	3,465	4,851	1,890	10,206
Gross Margin	-0-	17,720	43,500	4,920	67,140	-0-	20,757	48,071	5,502	74,332
Operating Expenses										
Advertising	-0-	1,160	330	100	1,530	-0-	1,210	363	110	1,683
Car/Truck	240	455	583	289	1,567	250	470	575	297	1,612
Insurance	1,683	1,683	1,683	1,683	6,732	1,851	1,851	1,851	1,851	7,404
Interest	2,100	2,100	2,100	2,100	8,400	2,025	2,025	2,025	2,025	8,100
Legal & Office	350	150	150	150	800	375	175	175	175	900
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	80	200	450	150	880	85	210	470	160	925
Supplies	30	184	158	60	432	33	200	170	66	469
Taxes-Not Payroll	600	600	600	600	2,400	650	650	650	650	2,600
Travel	450	200	-0-	-0-	650	475	210	-0-	-0-	685
Utilities	180	703	1,418	231	2,532	185	738	1,456	237	2,616
Wage (Including Tax & Fringe)	2,886	7,109	7,230	5,121	22,346	3,074	7,571	7,700	5454	23,799
Other	-0-	600	600	-0-	1,200	-0-	600	600	-0-	1,200
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	1,800	1,800	1,800	1,800	7,200	1,850	1,850	1,850	1,850	7,400
Total Operating Expenses	10,399	16,284	16,502	12,284	55,469	10,853				
NET PROFIT (LOSS)	(10,399)	2,436	26,998	(7,364)	11,671	(10,853)	2,997	30,166	(7,373)	14,937

113

Projected Cash Flow-
Year 1 (by Months)

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (55218).

Step 1:

Fill in your beginning cash balance for the first month.

Step 2:

Fill in the various categories for Cash Receipts and total them—for the first month only. Be sure to adjust your Sales figure from the Income Statement to show only Cash Sales.

Step 3:

Fill in the various categories for Cash Disbursements and total them—**for the first month only.** Information for cash disbursements is taken from the Income Statement. Most Expenses involve a cash disbursement but some like Depreciation involve no cash outlay and others like Taxes and Insurance require periodic outlays.

Step 4:

Calculate the Net Cash Flow for the first month (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Calculate the Ending Cash Balance for the first—Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

Step 6:

Fill in the Beginning Cash Balance for the second month (which is the Ending Cash Balance for the first month).

Step 7:

Repeat the first six steps for each of the twelve months—remember to complete one month at a time!

Step 8:

Do not add the Beginning Cash Balance horizontally to arrive at the Year Total figure. Instead, fill in the Beginning Cash Balance from Month No. 1. Do not add the Ending Cash Balance horizontally. Your ending Cash Balance at the bottom of the column for Month 12 is your ending Cash Balance for the year.

Step 9:

Add all the other lines horizontally to arrive at the Year Total. Now to arrive at the Year Total for a final figure in the bottom right do the same calculations you did for each month for the Year Total column. The final figure is a check figure for the Month No. 12 figure. They should be equal.

Projected Cash Flow-Year 1 (by Months)

	1	2	3	4	5	6	7	8	9	10	11	12	Yr. To.
BEGINNING CASH BALANCE	12,000	4,450	2,230	10	1,685	(887)	7,425	9,833	18,344	21,856	19,662	18,802	12,000
Cash Receipts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Cash Sales	-0-	-0-	-0-	1,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	63,250
Collect Account Receivables	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loans from Banks, Etc.	-0-	-0-	-0-	5,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,000
Other Receipts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Cash Receipts	-0-	-0-	-0-	6,000	3,150	14,200	17,100	14,400	8,600	1,600	3,200	-0-	68,250
Cash Disbursements													
Purchases (Merchandise)	-0-	-0-	-0-	500	1,000	1,500	1,800	1,500	900	500	1,000	-0-	8,700
Advertising	-0-	-0-	-0-	300	600	100	100	100	100	-0-	-0-	-0-	1,300
Car/Truck	75	75	75	100	150	175	200	175	175	100	100	75	1475
Insurance	3,330	-0-	-0-	-0-	-0-	-0-	3,330	-0-	-0-	-0-	-0-	-0-	6,660
Interest & Principle	750	750	750	750	750	750	5,800	750	750	750	750	750	14,050
Legal & Office	50	50	50	250	50	50	50	50	50	50	50	50	800
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	20	20	20	20	20	100	150	100	100	20	50	20	640
Supplies	10	10	10	75	50	50	50	50	50	10	20	10	395
Taxes (other than payroll)	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Travel	150	150	150	50	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500
Utilities	60	60	60	70	100	500	550	500	300	70	80	60	2,410
Wages (incl. tax & fringe)	905	905	905	1,810	2,602	2,263	2,263	2,263	2,263	2,094	1,810	905	20,988
Other	-0-	-0-	-0-	200	200	200	200	200	200	-0-	-0-	-0-	1,200
Purchase Capital Equipment	2,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,000
Owner's Withdrawals	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Cash Disbursed	7,550	2,220	2,220	4,325	5,722	5888	14693	5888	5088	3794	4060	2070	63,518
NET CASH FLOW	(7,550)	(2220)	(2,220)	1,675	(2,572)	8,312	2,407	8,512	3,512	(2,194)	(860)	(2070)	4,732
ENDING CASH BALANCE	4,450	2,230	10	1,685	(887)	7,425	9,832	18,344	21,856	19,662	18,802	16,732	16,732

Projected Cash Flow-
Years 2 and 3 (by Quarters)

On the previous page you completed the cash flow projections for your first year of operations. In this section you will complete the cash flow projections for years 2 and 3, and you will do it by quarters.

You just need to follow the same nine steps used on the previous page. Remember to complete one quarter at a time!

Cash ow Projections--Years 2 and by Quarters)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
BEGINNING CASH BALANCE	16,732	6,900	12,069	38,434	16,732	34,403	20,400	17,247	49,263	34,403
Cash Receipts										
Cash Sales	-0-	22,020	48,120	6,720	76,860	-0-	24,222	52,922	7,392	84,536
Collect Account Receivables	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loans from Banks, Etc.	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other Receipts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Cash Receipts	-0-	22,020	48,120	6,720	76,860	-0-	24,222	52,922	7,392	84,536
Cash Disbursements										
Purchases (Merchandise)	-0-	3,300	4,620	1,800	9,720	-0-	3,465	4,851	1,890	10,206
Advertising	-0-	1,100	330	100	1,530	-0-	1,210	363	110	1,683
Car/Truck	240	455	583	289	1,567	250	470	595	297	1,612
Insurance	3,366	-0-	3,366	-0-	6,732	1,851	1,851	1,851	1,851	7,404
Interest & Principle	2,250	2,250	2,250	2,250	9,000	2,025	2,025	2,025	2,025	8,100
Legal & Office	350	150	150	150	800	375	175	175	175	900
Rent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	80	200	450	150	880	85	210	470	160	925
Supplies	30	184	158	60	432	33	200	170	66	469
Taxes (other than payroll)	600	600	600	600	2,400	650	650	650	650	2,600
Travel	450	200	-0-	-0-	650	475	210	-0-	-0-	685
Utilities	180	703	1,418	231	2,532	185	738	1,456	237	2,616
Wage (Inc. taxes & fringe)	2,286	7,109	7,230	5,121	21,746	3,074	7,571	7,700	5,454	23,799
Other	-0-	600	600	-0-	1,200	-0-	600	600	-0-	1,200
Purchases of Capital Equipment	-0-	-0-	-0-	-0-	-0-	-0-	8,000	-0-	-0-	8,000
Owner's Withdrawals	-0-	-0-	-0-	-0-	-0-	5,000	-0-	-0-	10,000	15,000
Total Cash Disbursed	9,832	16,851	21,755	10,751	59,189	14,003	27,375	20,906	22,915	85,199
NET CASH FLOW	(9,832)	5,169	26,365	4,031	17,671	(14,003)	(3,153)	32,016	(15,583)	(663)
Ending Cash Balance	6,900	12,069	38,434	34,403	34,403	20,400	17,247	49,263	33,740	33,740

Blank Planning Documents
for a Business

Description of the Business

A. What type of business are you planning?

My business will . . .

B. What products or services will you sell?

Our primary . . .

C. Why does it promise to be successful?

My success should be assured . . .

D. What are the growth opportunities?

Marketing Plan

A. Who are your potential customers:

My immediate customers for my business are . . .

Future customers for my business will be . . .

B. How will you find your customers?

I will find my customers by . . .

C. How will you attract/sell your customers?

I will attract/sell my customers by . . .

D. How will your business hold its customers?

Once the business gets a customer, we will keep that customer by:

1.

2.

3.

E. How will you use promotion to affect your business potential?

I will promote my business by:

1.

2.

3.

F. How will you site your business?

My business will be located:

1. In a high traffic area because . . .

2. In a low traffic area because . . .

3. In my home because . . .

G. What features must your business have?

1. Parking? _____ spaces
2. Signage?
3. Outdoor display?
4. Indoor display?
5. Warehouse area?
6. Office area?
7. Sales offices?
8. Break area?
9. Lighting?
10. Atmosphere?
11. Repair/maintenance area?
12. Demo area?
13. Heating and cooling?
14.
15.
16.
17.
18. Total area needed:

Parking	_____	
Outdoor display	_____	
Indoor display		_____
Warehouse		_____
Sales offices		_____
Demo area		_____
Break area		_____
Repair and maintenance		_____
General office		_____
Total indoor area		_____

H. How will your building contribute to your:

1. Marketing strategy?

My building will contribute to my marketing strategy by:

A.

B.

C.

2. Potential business success?

My building will help me because:

A.

B.

C.

I. My ideal building and layout:

J. The minimum building and layout:

K. Director competitors:

#1 _____

Strengths:

1.

2.

3.

4.

Weaknesses:

1.

2.

3.

4.

I can take advantage of:

1.

2.

3.

#2 _____

Strengths:

1.

2.

3.

Weaknesses:

1.

2.

3.

4.

I can take advantage of:

1.

2.

3.

#3 _____

Strengths:

1.

2.

3.

4.

Weaknesses:

1.

2.

3.

4.

I can take advantage of:

1.

2.

3.

L. Indirect competitors:

#1 _____

Strengths:

1.

2.

3.

4.

Weaknesses:

1.

2.

3.

4.

I can take advantage of:

1.

2.

3.

#2 _____

Strengths:

1.

2.

3.

4.

Weaknesses:

1.

2.

3.

4.

I can take advantage of:

1.

2.

3.

M. Marketing Budget First Year

1. Cards, stationary, and brochures, etc. _____

2. Print advertising _____

3. Radio advertising _____

4. TV advertising _____

5. Signs

   a. Magnetic for vehicles _____

   b. Stationary signs for identification and directions _____ _____

6. Association dues

   a. Regional or national _____

   b. Local _____ _____

7. Miscellaneous _____

   Note: This is for minor marketing costs that may not be fit into the other categories above. More importantly it is for the "nice guy" spending requested by others for year books, parades, etc. Make sure this is a very small amount of money to help discipline your spending in these areas.

9. Total cost _____

Partnership?

Advantages:

1.

2.

3.

4.

5.

Disadvantages:

1.

2.

3.

4.

5.

Decision basis?

Corporation?

Advantages:

1.

2.

3.

4.

5.

Disadvantages:

1.

2.

3.

4.

5.

Decision basis?

B. How will you manage your recordkeeping?

Asset Accounts:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____
17. _____
18. _____
19. _____
20. _____

Liability Accounts:

1. _____
2. _____
3. _____
4. _____
5. _____

Capital Accounts:

1. _____
2. _____
3. _____
4. _____
5. _____

Income Accounts:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

EXPENSE ACCOUNTS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____
17. _____
18. _____
19. _____
20. _____
21. _____
22. _____
23. _____
24. _____
25. _____

PURCHASE ACCOUNTS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____

C. Who will do the recordkeeping?

1. Entries?

2. Check writing?

3. Receipts?

4. Accounts receivable?

5. Accounts payable?

6. Deposits?

7. Reconciliation of bank records?

D. What licenses and permits will you need?

City or township?

1.

2.

3.

4.

County?

1.

2.

3.

4.

State?

1.

2.

3.

4.

5.

6.

Federal?

1.

2.

3.

Notes:

E. What regulatory agencies will you have to deal with?

City/township:

1.

2.

3.

4.

County:

1.

2.

3.

4.

State:

1.

2.

3.

4.

Federal:

1.

2.

3.

4.

Notes:

Organization Plan

A. Who will manage the business?

The business will be managed by . . . my wife and me.

B. What qualifications will you look for in a manager?

The manager's management background must include . . .

The manager's technical skill area must include . . .

The ideal manager would also . . .

Pay rate: Start _____ One year _____

Profit sharing . . .

C. How many employees will you need?

We will need _____ employees.

D. How will your employees be organized?

Employees will be organized into units based on:

Manufacturing:

Marketing:

Administrating:

Other:

E. How many employees will be needed in:

Manufacturing _____

Duties will be:

1.

2.

3.

Pay rates: Start _____ One year _____

Notes:

Marketing _____

Duties will be:

1.

2.

3.

Pay rates: Start _____ One year _____

Participation in sales . . .

Notes:

Administrative _____

Duties will be:

1.

2.

3.

Pay rates: Start _____ One year _____

Notes:

Other _____

Duties will be:

1.

2.

3.

Pay rates: Start _____ One year _____

Notes:

Contracted Specialists

#1 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

#2 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

#3 _____

Duties will be:

1.

2.

3.

4.

Cost:

Notes:

#4 _____

Duties will be:

1.

2.

3.

4.

Cost:

Financial Plan

A. What will it cost to open the business?

1. Building exterior

a.	Parking	$_____
b.	Signage	$_____
c.	Lighting	$_____
d.	Electrical	$_____
e.	Decorating	$_____
f.	Landscaping	$_____
g.	Parking	$_____
h.	Mower and lawn equipment	$_____
i.	Snow equipment	$_____
j.	Supplies	$_____
k.		$_____
l.		$_____

Total Cost $_____

2. Building Interior

a.	Rent	$_____
b.	Deposit	$_____
c.	Remodeling	$_____
d.	Decorating	$_____
e.	Cleaning	$_____
f.	Telephone	$_____
g.	Electric	$_____
h.	Heat and AC	$_____
i.	Water and sewer	$_____
j.	Security	$_____
k.	Supplies	$_____
l.		$_____
m.		$_____
n.		$_____

Total Cost $_____

3. Building equipment

a.	Display cases	$_____
b.	Counters	$_____
c.	Cash register	$_____
d.	Safe	$_____
e.	Coolers	$_____
f.	Warmers	$_____
g.	Cookers	$_____
h.	Dispensers	$_____
i.	Window treatments	$_____
j.	Vacuum cleaner	$_____
k.		$_____
l.		$_____
m.		$_____

Total Cost $_____

4. Office equipment

a.	Desks and chairs	$_____
b.	Typewriter	$_____
c.	Calculator	$_____
d.	Tables and chairs	$_____
e.	Computer and software	$_____
f.	Desk equipment	$_____
g.	Lighting	$_____
h.	Wastebasket	$_____
i.	Decorations	$_____
j.	Fax and supplies	$_____
k.	Copy machine and supplies	$_____
l.		$_____
m.		$_____

Total Cost $_____

5. Office supplies

a. Letterhead and envelopes $_____

b. Cards $_____

c. Postage $_____

d. Pencils, paper, etc. $_____

e. Cutting and stapling $_____

f. General paper $_____

g. $_____

h. $_____

Total Cost $_____

6. Merchandise inventory cost

a. $_____

b. $_____

c. $_____

d. $_____

e. $_____

f. $_____

g. $_____

h. $_____

i. $_____

j. $_____

k. $_____

l. $_____

m. $_____

n. $_____

o. $_____

p. $_____

q. $_____

r. $_____

s. $_____

t. $_____

u. $_____

v. $_____

w. $_____

x. $_____

Total Cost $_____

7. Parts inventory (service)

a. _____ $_____

b. _____ $_____

c. _____ $_____

d. _____ $_____

e. _____ $_____

f. _____ $_____

g. _____ $_____

h. _____ $_____

i. _____ $_____

j. _____ $_____

k. _____ $_____

l. _____ $_____

m. _____ $_____

Total Cost $_____

8. Equipment and Tools

a.	Trucks	$_____
b.	Autos	$_____
c.	Trailers	$_____
d.	Racks	$_____
e.	Ladders and scaffolding	$_____
f.	Hand tools	$_____
g.	Clean-up equipment	$_____
h.	Machine	$_____
i.	Machine	$_____
j.	Machine	$_____
k.	Supplies	$_____
l.	Installation and set-up costs	$_____
m.	_____	$_____
n.	_____	$_____

Total Cost $_____

9. Labor costs* - first month

a.	Production	$_____
b.	Marketing	$_____
c.	Office	$_____
d.	Management	$_____
e.	Self	$_____
f.	_____	$_____
g.	_____	$_____
h.	_____	$_____

*Includes all fringe costs.

Total First Month Labor: $_____

10. Insurance costs - first quarter

a.	Fire and ext. coverage	$_____
b.	Liability	$_____
c.	Auto and truck	$_____
d.	Marine (shipping)	$_____
e.	Health and accident	$_____
f.	Life (including buy-back)	$_____
g.	_____	$_____
h.	_____	$_____
i.	_____	$_____

Total Cost First Quarter: $_____

11. Financial costs - first month

a. Principle and interest--
first mortgage $_____

b. Principle and interest--
other loans $_____

c. _____ $_____

d. _____ $_____

e. _____ $_____

Total Cost First Month: $_____

12. Marketing costs - first month including preopening

a. Advertising

1.	Radio	$_____
2.	Television	$_____
3.	Newspaper	$_____
4.	Mail	$_____
5.	Fliers	$_____
6.	Other	$_____

Total $_____

b. Grand opening

1.	Promo	$_____
2.	Personnel	$_____
3.	Prizes	$_____
4.	Food	$_____
5.	Other	$_____

Total $_____

c. Printed material

1.	Brochures	$_____
2.	Instructions	$_____
3.	Open/Closed Sign	$_____
4.	Other	$_____

Total $_____

Total Marketing Costs: $_____

B. Summary of Cost to Open Business

1. Building exterior _____
2. Building interior _____
3. Building equipment _____
4. Office equipment _____
5. Office supplies _____
6. Merchandise inventory _____
7. Parts inventory _____
8. Equipment and tools (for production) _____
9. Labor costs _____
10. Insurance costs _____
11. Financial costs _____
12. Marketing costs _____
13. Other costs _____

Total cost to open _____

Personal Balance Sheet
Instruction and Schedules

Make all entries in whole dollars (omit cents).

Line 1: List the total of the current balances in your checking, savings, and certificate accounts plus cash on hand.

Line 2: List the current market value of all securities (stocks, bonds, treasury bills, etc.) that you own which are regularly traded by stock brokers.

Line 3: Attach a listing of all securities you hold which are not regularly traded. Include the name of the company, city, and state of its headquarters, number of shares you hold, book value of each share as of the most recent information you have, and the date of that information. List the value of your shares on line 3 of the balance sheet.

Line 4: Schedule A - Complete this for real estate owned by you and spouse.

Address	Date Acquired	Cost	Owner's Name	Market Value	Mortgage Balance

Enter total market value on line 4 of the balance sheet. Enter total of mortgage balance on line 14 of the balance sheet.

Line 5: Schedule B - Complete this for real estate partially owned by you and spouse.

Address	Owner's Name	Percent You Own	Market Value	Mortgage Balance	Your Equity

Transfer your total equity to line 5 of the balance sheet.

Line 7: List the total current loan value of life insurance policies you own. This figure is also known as the cash value. Do not list the face value of your policies.

Line 9: Total lines 1 through 8 and enter the results on line 9 and on line 19.

Line 17: Total lines 10 through 16 and enter the results on line 17.

Line 18: Subtract line 17 from line 9 and enter the results on line 18. As a double check, line 17 and 18 should equal line 19.

Personal Balance Sheet for

_____

ASSETS
(What You Own)

1.	Cash on hand and in banks	_____
2.	Marketable securities	_____
3.	Non-marketable securities	_____
4.	Real estate owned (market value) (Schedule A)	_____
5.	Equity in real estate venture (Schedule B)	_____
6.	Automobiles and personal property	_____
7.	Loan value of life insurance	_____
8.	Other assets - itemize:	_____
	_____	_____
	_____	_____
	_____	_____
9.	TOTAL ASSETS	_____

LIABILITIES
(What You Owe)

10.	Notes payable - secured	_____
11.	Notes payable - unsecured	_____
12.	Unpaid income tax	_____
13.	Other unpaid taxes	_____
14.	Real estate mortgages (Schedule A)	_____
15.	Credit cards	_____
16.	Other debts - itemize:	_____
	_____	_____
	_____	_____
	_____	_____
17.	TOTAL LIABILITIES	_____
18.	NET WORTH	_____
19.	TOTAL LIABILITIES AND NET WORTH	_____

I (we) certify that the above is a true and exact representation of my (our) financial condition as of _____ (date).

_____ _____
(Signature) (Signature)

199

_____ _____
(Date Signed) (Date Signed)

Sources and Uses of Financing

This section is another critical financial forecast—what will be the sources of your initial financing? The next step—how will you use this financing to buy the assets needed to open your doors for business?

This section will not be used if you already own an existing business.

Step 1:

Fill in the cash amounts to be invested by the various owners.

Step 2:

Fill in the market value of the noncash assets to be invested by the various owners.

Step 3:

Fill in the bank loans to your business—both short-term (one year or less) and long-term.

Step 4:

Fill in the amounts of personal loans which are likely secured by your personal assets (your home, for example).

Step 5:

Fill in any business loans from other sources in the other section.

Step 6:

Fill in the amounts of cash used to buy various assets in the Uses of Financing section.

Step 7:

Fill in the noncash assets contributed by the owners (use the same amounts that you listed in the Sources of Financing section).

Step 8:

Total both sections (Sources and Uses)—they should equal.

Sources of Financing

Investment of cash by Owner No. 1	$_____
Investment of cash by Owner No. 2	_____
Investment of noncash assets by Owner No. 1	_____
Investment of noncash assets by Owner No. 2	_____
Bank loans to business—short-term	_____
Bank loans—personal	_____
Other (specify)	_____
Total Sources of Financing	$_____

Uses of Financing

Land	$_____
Buildings	_____
Equipment	_____
Remodeling	_____
Initial Inventory	_____
Working capital to pay operating expenses	_____
Noncash assets contributed by owners (use same amount as in Sources)	_____
Other assets (specify)	_____
Total Uses of Financing	$_____

Sales Forecast

Forecasting sales of your product and/or services is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Before completing this section, you may want to review the Marketing Plan section of this book.

Step 1:

Fill in the units-sold line for products 1, 2, and 3 for each month. Instead of different products, you may choose to use different departments, customer groups, or other factors. Just cross out the current heading and write in your own title. If you do not use units, skip to Step 3 and fill in total sales.

Step 2:

Fill in the sales price per unit for products 1, 2, and 3.

Step 3:

Calculate the total sales for each of the different products (units sold x sales price per unit).

Step 4:

Calculate the sales (all products) for each month—add down the columns.

Step 5:

Calculate the yearly sales for each product or department—add across the rows.

Step 6:

Total the yearly column. This will be the total sales of all products or departments and will act as a check figure on your all products line. They should be equal.

Note: If you have more than three products, departments, customer groups, etc., just make copies of the Sales Forecast sheet.

Sales Forecasts--
First Year by Month

Product 1	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Units Sold													
Sale Price/Unit													
Total Sales													
Product 2													
Units Sold													
Sale Price/Unit													
Total Sales													
Product 3													
Units Sold													
Sale Price/Units													
Total Sales													
TOTAL SALES ALL PRODUCTS													

Cost of Goods Sold

in the previous section you forecasted the sales of each product or service by month. In this section you will compute your cost for the products you will sell. For example, you might sell a product for $50.00 (the retail price), but your cost of this product might be $30.00 (which includes freight).

If your business sells only a service, you will not have cost of goods sold. If so, you do not need to complete this section and can go to the next chapter.

To complete this section you will need to use data from the previous chapter (Sales Forecast).

Step 1:

Fill in the units-sold line for products 1, 2, and 3 for each month.

Step 2:

Fill in your cost per unit for products 1, 2, and 3.

Step 3:

Calculate the total cost for each of the products—units sold x cost per unit.

Step 4:

Calculate the cost of goods sold—all products for each month—add down the columns.

Step 5:

Calculate the yearly sales for each product—add across the rows.

Step 6:

When you add the yearly total column vertically, you will have a check figure to verify against the All Products total added horizontally.

Cost of Goods Sold--
First Year by Month

Product 1	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Units Sold													
Cost/Unit													
Total Sales													
Product 2													
Units Sold													
Cost/Unit													
Total Sales													
Product 3													
Units Sold													
Cost/Units													
Total Sales													
Cost of Goods Sold All Products													

176

Operating Expenses—Labor-Related

Salary expense is your first major category of operating expenses. In this section you will calculate the total cost of having employees working for your business. The total includes: 1) wages and salaries, 2) payroll taxes required by law, and 3) optional fringe benefits you agree to pay for your employees.

It's likely the number of employees (and hours worked) will vary from month to month, especially if your business has seasonal highs and lows. Don't forget to include the wages of part-time employees.

Step 1:

Fill in a brief title for each employee required in your business. If you have more than five employees, you may want to list employees separately on another sheet of paper and bring their totals by department or area to this sheet.

Step 2:

Fill in the salary or wage to be paid each employee, department, or area for each month.

Step 3:

Calculate the total monthly **salaries**—add down the columns.

Step 4:

Calculate the yearly salaries for each position—add across the rows.

Step 5:

Calculate the three types of **payroll taxes** for each of the 12 months. Now add down the columns and across the rows as in Steps 3 and 4.

Step 6:

Calculate the **optional employee benefits** for each of the 12 months. Now add down the columns and across the rows as in steps 3 and 4.

Step 7:

Calculate the total labor-related operating expense for each month.

Step 8:

When you add the Yearly Total column vertically, it is a check figure for your total Payroll, Taxes, and Fringe added horizontally. They should be equal.

Operating Expenses--Labor-Related
First Year by Month

Salary Per Month Position	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
1. _____													
2. _____													
3. _____													
4. _____													
5. _____													
TOTAL PAYROLL													
Payroll Taxes Employer Portion- Social Security													
Federal and State Unemployment													
Worker's Compensation Insurance													
TOTAL PAYROLL AND TAXES													
Optional Employee Benefits													
Medical/Dental Insurance													
Other Benefits													
TOTAL WAGE (INCLUDING TAX AND FRINGE													

178

Operating Expenses--
Nonlabor

Nonlabor expenses include a wide variety of expenses required to operate a business. Many of these expenses are referred to as overhead. The term means that these costs are fixed—they will remain constant regardless of the sales level. For example, your rent might be $500 per month—it stays fixed and does not change as sales go up or down over the months.

On the other hand, some expenses do increase and decrease as sales increase or decrease. These expenses are variable expenses. An example might be your car/delivery expense—as your sales increase, your delivery expense probably would increase.

Step 1:
Review the expenses listed on the facing page, it's likely you can use this list for your business expenses. You may have some expenses which are not listed here—write them in the "other" spaces. A good starting point for a list of expense accounts can be found in Schedule C Profit or Loss from Business in your federal tax forms. Put your accounts in the same order as Schedule C for easier recordkeeping and tax filing.

Step 2:
Fill in your monthly estimate for each category of expense. Remember that some of these expenses will vary throughout the year, especially for businesses with seasonal sales.

Step 3:
Calculate total expenses for each month-add down the columns.

Step 4:
Calculate yearly totals for each expense-add across the rows.

Step 5:
When you add the Yearly Total column vertically, it is a check figure for your Total line added horizontally. They should be equal.

Operating Expenses--Nonlabor—
First Year by Month

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Advertising													
Car/Truck													
Insurance													
Interest													
Legal and Office													
Rent													
Repairs													
Supplies													
Tax (excluding payroll)													
Travel													
Utilities													
Other													
Other													
Depreciation	(LEAVE THIS BLANK-FOR NOW)												
TOTAL EXPENSES													

Projected Income Statement--Year 1 (by Months)

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each month.

Step 1:

Fill in the sales for each month. You already estimated these figures on the Sales Forecast sheet. Just copy those figures for each month onto this sheet.

Step 2:

Fill in the cost of goods sold for each month. You already estimated these figures in the section Cost of Goods Sold. Just copy those figures for each month onto this sheet.

Step 3:

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

Step 4:

Fill in the three categories of Operating Expenses—Labor. You estimated these figures on the Operating Expense--Labor sheet. Just copy those figures for each month onto this sheet.

Step 5:

Fill in the Operating Expenses-Nonlabor. You estimated these figures on the Operating Expenses - Nonlabor. Just copy these figures for each month onto this sheet.

Step 6:

Fill in the Monthly Depreciation Expense. This figure should be an estimate arrived at with the assistance of a professional in accordance with IRS guidelines.

Step 7:

Calculate the Total Operating Expenses for each month and write that figure on the Total Operating Expense line.

Step 8:

Calculate the Net Profit or Net Loss (Before Income Taxes) for each month (Gross Margin minus Total Operating Expenses).

Step 9:

Add each line horizontally to arrive at the Year Total.

Step 10:

Add the Year Total figures vertically. This total will be a check figure for your Net Profit monthly figures added horizontally. They should be equal.

Projected Income Statement--Year 1 (by Month)

	1	2	3	4	5	6	7	8	9	10	11	12	Yr. Tot.
Sales													
Cost of Goods Sold													
Gross Margin													
Operating Expenses													
Advertising													
Car/Truck													
Insurance													
Interest													
Legal and Office													
Rent													
Repairs													
Supplies													
Taxes-Not Payroll													
Travel													
Utilities													
Wage (Including Tax and Fringe)													
Other													
Other													
Depreciation													
Total Operating Expenses													
NET PROFIT (LOSS)													

Projected Income Statement- Years 2 and 3 (by Quarters)

On the previous page you completed an income statement for your first year of operations. In this section you will complete statements for years 2 and 3, but you will do it by quarters (rather than by months as you did for year 1).

You just need to follow the same ten steps used on the previous page to complete the Income Statements for years 2 and 3.

Projected Income Statement—Years 2 and 3 (by Quarters)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
Sales										
Cost of Goods Sold										
Gross Margin										
Operating Expenses										
Advertising										
Car/Truck										
Insurance										
Interest										
Legal & Office										
Rent										
Repairs										
Supplies										
Taxes-Not Payroll										
Travel										
Utilities										
Wage (Including Tax & Fringe)										
Other										
Other										
Depreciation										
Total Operating Expenses										
NET PROFIT (LOSS)										

Projected Cash Flow-
Year 1 (by Months)

Cash flow projections are among the most critical financial projections you will make. You must calculate your cash receipts and the cash disbursements for each month. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (55218).

Step 1:

Fill in your beginning cash balance for the first month.

Step 2:

Fill in the various categories for Cash Receipts and total them—for the first month only. Be sure to adjust your Sales figure from the Income Statement to show only Cash Sales.

Step 3:

Fill in the various categories for Cash Disbursements and total them—**for the first month only.** Information for cash disbursements is taken from the Income Statement. Most Expenses involve a cash disbursement but some like Depreciation involve no cash outlay and others like Taxes and Insurance require periodic outlays.

Step 4:

Calculate the Net Cash Flow for the first month (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Calculate the Ending Cash Balance for the first—Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

Step 6:

Fill in the Beginning Cash Balance for the second month (which is the Ending Cash Balance for the first month).

Step 7:

Repeat the first six steps for each of the twelve months—remember to complete one month at a time!

Step 8:

Do not add the Beginning Cash Balance horizontally to arrive at the Year Total figure. Instead, fill in the Beginning Cash Balance from Month No. 1. Do not add the Ending Cash Balance horizontally. Your ending Cash Balance at the bottom of the column for Month 12 is your ending Cash Balance for the year.

Step 9:

Add all the other lines horizontally to arrive at the Year Total. Now to arrive at the Year Total for a final figure in the bottom right do the same calculations you did for each month in the Year Total column. The final figure is a check figure for the Month No. 12 figure. They should be equal.

Projected Cash Flow-Year 1 (by Months)

	1	2	3	4	5	6	7	8	9	10	11	12	Yr.To.
BEGINNING CASH BALANCE													
Cash Receipts													
Cash Sales													
Collect Account Receivables													
Loans from Banks, Etc.													
Other Receipts													
Total Cash Receipts													
Cash Disbursements													
Purchases (Merchandise)													
Advertising													
Car/Truck													
Insurance													
Interest & Principle													
Legal & Office													
Rent													
Repairs													
Supplies													
Taxes (other than payroll)													
Travel													
Utilities													
Wages (incl. tax & fringe)													
Other													
Purchase Capital Equipment													
Owner's Withdrawals													
Total Cash Disbursed													
NET CASH FLOW													
ENDING CASH BALANCE													

Projected Cash Flow- Years 2 and 3 (by Quarters)

On the previous page you completed the cash flow projections for your first year of operations. In this section you will complete the cash flow projections for years 2 and 3, and you will do it by quarters.

You just need to follow the same nine steps used on the previous page. Remember to complete one quarter at a time!

Cash Flow Projections--Years 2 and 3 (by Quarters)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
BEGINNING CASH BALANCE										
Cash Receipts										
Cash Sales										
Collect Account Receivables										
Loans from Banks, Etc.										
Other Receipts										
Total Cash Receipts										
Cash Disbursements										
Purchases (Merchandise)										
Advertising										
Car/Truck										
Insurance										
Interest & Principle										
Legal & Office										
Rent										
Repairs										
Supplies										
Taxes (other than payroll)										
Travel										
Utilities										
Wage (Inc. taxes & fringe)										
Other										
Purchases of Capital Equipment										
Owner's Withdrawals										
Total Cash Disbursed										
NET CASH FLOW										
Ending Cash Balance										

kf:HEL